



National Library
of Canada

Bibliothèque nationale
du Canada

Canadian Theses Service

Service des thèses canadiennes

Ottawa, Canada
K1A 0N4

NOTICE

The quality of this microform is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us an inferior photocopy.

Reproduction in full or in part of this microform is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30, and subsequent amendments.

AVIS

La qualité de cette microforme dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de qualité inférieure.

La reproduction, même partielle, de cette microforme est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30, et ses amendements subséquents.

THE UNIVERSITY OF ALBERTA

INTRAGOVERNMENTAL RELATIONS AND THE DEVELOPMENT OF INTERGOVERNMENTAL
POLICY POSITIONS: THE ALBERTA APPROACH TO REFORMING FISCAL ARRANGEMENTS
FOR SOCIAL SERVICES, 1973-79

by

Gerard William Boychuk

C

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF ARTS

Department of Political Science

EDMONTON, ALBERTA

Fall 1991



National Library
of Canada

Bibliothèque nationale
du Canada

Canadian Theses Service Service des thèses canadiennes

Ottawa, Canada
K1A 0N4

The author has granted an irrevocable non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of his/her thesis by any means and in any form or format, making this thesis available to interested persons.

The author retains ownership of the copyright in his/her thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without his/her permission.

L'auteur a accordé une licence irrévocable et non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de sa thèse de quelque manière et sous quelque forme que ce soit pour mettre des exemplaires de cette thèse à la disposition des personnes intéressées.

L'auteur conserve la propriété du droit d'auteur qui protège sa thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

ISBN 0-315-70042-4

Canada

THE UNIVERSITY OF ALBERTA

RELEASE FORM

NAME OF AUTHOR

Gerard William Boychuk

TITLE OF THESIS

INTRAGOVERNMENTAL RELATIONS AND THE
DEVELOPMENT OF INTERGOVERNMENTAL POLICY
POSITIONS: THE ALBERTA APPROACH TO REFORMING
FISCAL ARRANGEMENTS FOR SOCIAL SERVICES,
1973-79

DEGREE FOR WHICH THESIS WAS PRESENTED MASTER OF ARTS

YEAR THIS DEGREE GRANTED Fall 1991

Permission is hereby granted to THE UNIVERSITY OF ALBERTA LIBRARY to
reproduce single copies of this thesis and to lend or sell such copies for private,
scholarly or scientific research purposes only.

The author reserves other publication rights, and neither the thesis nor
extensive extracts from it may be printed or otherwise reproduced without the
author's written permission.

(SIGNED)

Gerard Boychuk

PERMANENT ADDRESS:

4103-55 St.

WETASKIWIN AB

T9A 1Z5

DATED

Aug 13th

1991

THE UNIVERSITY OF ALBERTA
FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the
Faculty of Graduate Studies and Research, for acceptance, a thesis entitled
INTRAGOVERNMENTAL RELATIONS AND THE DEVELOPMENT OF INTERGOVERNMENTAL
POLICY POSITIONS: THE ALBERTA APPROACH TO REFORMING FISCAL ARRANGEMENTS
FOR SOCIAL SERVICES, 1973-79 submitted by Gerard William Boychuk in partial
fulfilment of the requirements for the degree of MASTER OF ARTS.

Gerard William Boychuk
.....
Supervisor
W. D. C.
.....
Gordon Clarke
.....

Date

August 13/91

...

To My Parents

ABSTRACT

Several studies of the intergovernmental policy process argue that it is crucial to pay specific attention to interdepartmental relations in examining a government's approach to intergovernmental relations. The literature on federal-provincial cost-sharing suggests that central agencies and line departments will have conflicting policy objectives in regards to cost-sharing with central agencies preferring non-matching transfers and line departments preferring matching grants. More specific literature on policy-making in the government of Alberta suggests that FIGA is the department responsible for imposing a consistent and consolidated approach to federal-provincial issues such as Alberta's policy regarding cost-sharing arrangements.

The cost-sharing literature generates expectations about conflicts of departmental interests between the central agencies (FIGA and Treasury) and the line department (Department of Social Services and Community Health) in developing Alberta's policy regarding the reform of federal-provincial funding arrangements for social services (1973-79). The literature on FIGA's dominance may lead to expectations that Alberta's policy positions were a result of FIGA's interests dominating those of other departments.

This case study demonstrates the limited applicability of the cost-sharing literature. Expected differences between departmental policy objectives did not emerge. All three departments consistently advocated the transfer of tax points for funding social services. Several factors contributed to this interdepartmental confluence of policy objectives including a variety of fiscal, programmatic, and jurisdictional considerations. This confluence in policy objectives was largely the result of contextual factors -- especially Alberta's resource wealth and the high incidence of federal unilateralism.

Because there was no divergence in departmental policy objectives, Alberta's position was not the result of interdepartmental conflict or hierarchical departmental relations. Thus, contrary to expectations generated by the literature, in this case, FIGA did not impose a "consistent and consolidated approach" to intergovernmental relations

and did not directly impose a specific substantive position on the line department.

Acknowledgements

The completion of this project would have not been attained if it had not been for the invaluable aid of a host of people.

Primary research for this project was made possible through the assistance of the Honorable Helen Hunley, Lou Hyndman, Dr. J.P. Meekison, Richard Dalon, Bob Russell and Amy Gerlock of Alberta Federal and Intergovernmental Affairs.

The Department of Political Science at the University of Alberta provided an excellent environment in which to work as well as very generously supplied computer funding. Dr. Gerard Grobbs was especially generous in sharing his office space as well as making sure that my computer account had sufficient funds. Thanks also to Alice Lau of the Department of Political Science Reading Room for her help. Thanks also to oral examination committee members Dr. Gurston Dacks and Dr. John Eagle.

Special thanks to my adviser, Dr. Ian Urquhart, whose aid was invaluable. His patience and guidance made working on this project a pleasure.

Gerard Boychuk
August 1991

Table of Contents

Chapter	Page
I. EXPECTATIONS IN THE LITERATURE: CONFLICTING DEPARTMENTAL INTERESTS AND THE DOMINANCE OF FIGA	1
A. Shared Cost Programs: Line Department and Central Agency Preferences	2
B. The Dominance of FIGA in the Formulation of Intergovernmental Policy Positions	7
C. Applications of the Literature to the Alberta Policy on Cost-Sharing of Social Services	9
D. Overview	10
II. THE CANADA ASSISTANCE PLAN: ESTABLISHMENT AND ATTEMPTS AT REFORM	12
A. The CAP: Establishment and Background	12
B. First Major Effort to Reform CAP: The Social Services Act (SSA) and Expanded Cost-Sharing	16
C. The Death of the Social Services Act and the Birth of the Social Services Financing Act (SSFA)	17
D. The Death of the Social Services Financing Act	24
E. The Alberta Responses to the Federal Proposals	27
F. Table 1: Alberta Positions on Proposed Reforms to Funding Arrangements for Social Services	32
III. DEPARTMENTAL POSITIONS REGARDING THE SUGGESTED REFORMS OF SOCIAL SERVICE FUNDING	34
A. Optimal Departmental Policy Objectives	35
B. Departmental Positions Regarding the SSA	36
C. Departmental Positions Regarding the SSFA	40
D. Relations Between Departments	42
E. Conclusion	45
IV. DEPARTMENTAL INTERESTS: EXPLAINING CONVERGING POLICY PREFERENCES	46
A. Fiscal Considerations Regarding Cost-Sharing Arrangements	49
B. Programmatic Concerns Regarding Cost-Sharing Arrangements	60

C. Jurisdictional Concerns Regarding Cost-Sharing Arrangements	67
D. Conclusions	68
V. SUMMARY AND IMPLICATIONS	69
A. Summary of the History of Reform, Responses of Alberta, and the Policy Positions of Departments	69
B. Explaining the Confluence of Departmental Positions	71
C. Implications for Assuming Departmental Interests and Departmental Policy Preferences	76
VI. SELECT BIBLIOGRAPHY	78
A. Books/ Articles	78
B. Government Documents	85
C. Theses	86
D. Newspapers	86
E. Archival Materials	86
F. Interviews	87
VII. APPENDIX 1: The Cost-Sharing Test	88
VIII. APPENDIX 2: Tables	90
A. Table 2: Funds Transferred to Alberta Under Cap	90
B. Table 3: Gross National Product 1970-1980	91
C. Table 4: Transfers to Alberta from the Federal Government	92

List of Tables

Table 1: Chronology of Alberta's Positions on Proposed Reforms.....p.32.

Table 2: Funds Transferred to Alberta Under CAP 1973-79.....p.90

Table 3: Gross National Product 1970-80.....p.91.

Table 4: Transfers to Alberta from the Federal Government 1973-78.....p.92.

List of Acronyms

ADM - Assistant Deputy Minister
AHMC - Alberta Hospital and Medical Care
CAP - The Canada Assistance Plan
CDM - Chief Deputy Minister
DM - Deputy Minister
DPT - Deputy Provincial Treasurer
DSSCH - Department of Social Services and Community Health
EPF - Established Programs Financing
FIGA - Department of Federal and Intergovernmental Affairs
FMC - First Ministers' Conference
HWC - Health and Welfare Canada
ISS - Income Supplementation and Support proposals
RFD - Request for Decision submitted to Cabinet
SSA - Social Services Act, Bill C-57 introduced into the House of Commons in June 1977 providing for expanded cost-sharing of social services
SSFA - Social Services Financing Act, Bill C-55 introduced to the House of Commons in March 1978 providing for block-funding of social services
SSR - Social Security Review formally initiated by the federal government in 1973

I. EXPECTATIONS IN THE LITERATURE: CONFLICTING DEPARTMENTAL INTERESTS AND THE DOMINANCE OF FIGA

Several studies of the intergovernmental policy process argue that it is crucial to pay specific attention to interdepartmental relations in examining a government's approach to intergovernmental relations. For example, Kenneth Kernaghan argues that "[t]he process of intragovernmental bargaining, which is intertwined with that of intergovernmental bargaining has been ignored or unduly minimized by students of Canadian federalism."¹ Richard Schultz supports this argument: "From the bureaucratic politics perspective, the complex intragovernmental process cannot be separated from the direct relations between governments."² Often it is assumed that conflict arising from a fundamental divergence in departmental interests exists and government policy is the result of conflictual competition between those interests. Simon McInnes argues that "...interdepartmental rivalry will be an important variable influencing the outcome of a policy."³

The literature on federal-provincial cost-sharing and the literature on the role of the Department of Federal and Intergovernmental Affairs (FIGA) in developing Alberta's positions on intergovernmental issues examine the intragovernmental aspect of intergovernmental policy. These two sets of literature raise expectations about the importance of departmental interests and conflictual departmental relations in the policy process. One expectation is that central agencies and line departments will have

¹ K. Kernaghan, "Intergovernmental Administrative Relations," in *Public Administration in Canada: Selected Readings*, 5th ed., ed. K. Kernaghan (Toronto: Methuen, 1985), 159.

² R. Schultz, *Federalism, Bureaucracy, and Public Policy: The Politics of Highway Transport Regulation* (Montreal: McGill-Queen's University Press, 1980), 179.

³ S. McInnes, "Federal-Provincial Negotiation: Family Allowances 1970-76" (Ph.d. diss., Carleton University, 1978, microfiche), 34. While not always stated as explicitly, several other studies support this supposition or accept it as a given. Examples of this are Schultz, *Federalism, Bureaucracy and Public Policy*; R. French, *How Ottawa Decides: Planning and Industrial Policy Making 1968-1984*, 2nd ed. (Toronto: J. Lorimer and Co., 1984); M.M. Atkinson and K.R. Nossal, "Bureaucratic Politics and the New Fighter Decision," *Canadian Public Administration* 24, no.4 (Winter 1981): 531-58; M.G. Taylor, *Health Insurance and Canadian Public Policy: The Seven Decisions that Created the Canadian Health Insurance System and Their Outcomes* (Kingston: McGill-Queen's University Press, 1987).

conflicting policy objectives in regards to cost-sharing arrangements, with central agencies preferring non-matching and line departments preferring matching cost-sharing. A second expectation with specific reference to the policy process in Alberta is that FIGA imposed "...a consolidated and consistent approach to federal-provincial relations."

An examination of departmental interests and the interdepartmental relations among an intergovernmental relations agency (FIGA), a finance agency (Treasury), and a line department (Department of Social Services and Community Health [DSSCH]) in developing Alberta's policy regarding the reform of federal-provincial funding arrangements for social services in the 1973-79 period allows for an evaluation of the different expectations generated by the literature. This introductory chapter will outline these expectations and present what the work intends to demonstrate based on this case study. Finally, the chapter will conclude with an overview of the aims of the following chapters.

A. Shared Cost Programs: Line Department and Central Agency Preferences

Examinations of relations between departments in the decision-making process necessarily must identify the policy preferences of the different departments. Often conclusions about departmental policy positions are drawn solely on the basis of standard interpretations in the literature. However, generalizing about specific departments' policy preferences without empirical evidence may lead analysts to faulty conclusions about how departments interacted in the policy-making process.

With regard to Alberta's position in relation to funding arrangements for social services and the roles of DSSCH, FIGA, and Treasury in determining this position, certain expectations arise about specific departmental policy objectives based upon the literature on cost-sharing -- specifically that line departments have an affinity for matching grants while central agencies are inherently inimical to such programs.⁵ It is argued that

⁴ T. Woolstencroft, "Intergovernmental Emissaries -- The Provincial Guardians of the Federal Bargain: A Case Study of Alberta and Ontario," (M.A. Thesis, Queen's University, 1980, microfiche), 122.

⁵ This proposition is found throughout the literature on cost-sharing and

conditional cost-sharing arrangements offer program departments considerable benefits in terms of increased budgetary resources and enhanced autonomy from centralized control in their own governments. Fletcher and Wallace in their review of cost-sharing case studies note:

With respect to hierarchical accountability, we found considerable agreement that shared-cost programs insulate operational departments from scrutiny by treasury officials at the different levels.[...]Central agents are not able to enforce hierarchical accountability without considerable effort...

Professor Smiley argues:

In the broadest of terms, shared-cost programs are subject to less effective political and treasury control than are those activities for which one jurisdiction assumes full responsibility and it is in the interest of the program specialists to maintain this respective independence.

The literature suggests that the availability of 50 cent dollars is a potent resource for program officials attempting to "pitch" programs to treasury officials and the inducements associated with fifty cent dollars are significantly powerful in making

(cont'd) intergovernmental relations. For examples of analyses and case studies which support this interpretation see: Alberta Federal and Intergovernmental Affairs, *Annual Reports, 1974-1979* (Edmonton); K. Banting, *The Welfare State and Canadian Federalism*, rev. ed., (Montreal: McGill-Queen's University Press, 1987); R.M. Burns, *Intergovernmental Fiscal Transfers: Canadian and Australian Experiences* (Canberra: Centre for Research on Federal Financial Relations, 1977); T.J. Courchene, *Refinancing the Canadian Federation: A Survey of the 1977 Fiscal Arrangements Act* (Ottawa: C.D. Howe Institute, 1979); J.S. Dupre et al., *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario* (Toronto: University of Toronto Press, 1973); F.J. Fletcher and D.C. Wallace, "Federal-Provincial Relations and the Making of Public Policy in Canada: A Review of Case Studies," in *Division of Power and Public Policy*, ed. R. Simeon (Toronto: University of Toronto Press, 1985) 125-206; Government of Alberta, *Harmony in Diversity* (Edmonton: 1978); C. Leman, *The Collapse of Welfare Reform: Political Institutions, Policy, and the Poor in Canada and the U.S.* (Cambridge: MIT Press, 1985); B. G. Pollard, *Managing the Interface: Organizing Intergovernmental Relations* (Kingston: McGill-Queen's University Press, 1984); R. Simeon, *Federal-Provincial Diplomacy: The Making of Recent Policy in Canada* (Toronto: University of Toronto Press, 1972); D.V. Smiley, *Canada in Question: Federalism in the '80's*, 3rd. ed., (Toronto: McGraw-Hill Ryerson, 1980); R. Van Loon, "Reforming Welfare in Canada," *Public Policy* 27, no.4(Fall 1979): 469-504; J. Warhurst, "Canada's Intergovernmental Relations Specialists," *Australian Journal of Public Administration* 13, No.4(December 1983): 459-85; T. Woolstencroft, *Organizing Intergovernmental Relations* (Kingston: Queen's University Press, 1982).

⁵ Fletcher and Wallace. 188.

¹ D.V. Smiley, "Public Administration and Canadian Federalism," *Canadian Public Administration* 3, no.3(1964): 379.

programs which qualify for cost-sharing attractive to Treasury officials:

...conditional grants bestow upon the operating officials at the receiving level of government a genuine advantage in competing for limited resources of provincial treasuries. Given any basic degree of provincial predisposition toward a grant-aided function, what estimates process is not likely to respond positively to a program that will confer upon provincial citizens a dollar's worth of benefits at a cost in provincially levied taxes of only twenty-five or fifty cents? ⁹

More than positive fiscal inducements encourage provincial participation. Should a province choose not to participate in a cost-sharing arrangement which is being utilized by other provinces, its taxpayers will be punished as they will contribute through federal taxes to funding a program which provides no benefits to that province. A corollary of these arguments is that program officials favour 50-50 cost-sharing programs as, once they are established and services are funded under them, they help to shield those service expenditures from budgetary restraint because treasury officials will tend to be more willing to practice restraint in programs which the province funds fully and thus enjoy the full savings resulting from restraint measures.

These factors tend to skew provincial budgetary priorities in the direction of the cost-shared function. Thus, provincial program officials welcome matching cost-sharing initiatives in their functional area as this will tend to provide them with an increased level of financial resources. D.V. Smiley argues that program officials had a bureaucratic interest in matching grants as such programs increased spending for the aided function/programs above what spending on that function would have been without such grants. ⁹ More precisely, Smiley argues:

Provincial program officials, along with their federal counterparts, usually believe that more financial resources are expended on their functions when shared-cost arrangements prevail than would be the case if the provinces had equivalent funds at their disposal with no strings attached. ¹⁰

⁹ Dupre et al., 85. See also Banting *The Welfare State*, 114. Tom Courchene argues that "...if conditional grants embody a cost-sharing format (as they normally do), this tends to influence provincial priorities in terms of spending more on these functions, since a provincial dollar will buy more "output" on shared-cost programs than on programs for which cost-sharing is unavailable." Courchene, 3.

⁹ Smiley, *Canada in Question: '80's*, 173. See also Dupre et al., 85.

¹⁰ Smiley, "Public Administration and Canadian Federalism," 379.

According to the literature, treasury officials view matching grants unfavourably for a host of reasons. The foremost reason is the skewing of provincial budgetary priorities, which reduces the treasury's ability to autonomously determine budgetary priorities. Dupre et al. note that the development of cost-sharing arrangements was closely watched by treasury boards and finance officials who realized that "...their own key role as allocators of scarce resources is being undermined before their very eyes."¹¹ It is reasonable to assume that "...provincial treasury officers cannot be expected to welcome the budgetary distortions and the relative independence of provincial program agencies from treasury control that are abetted by conditional grants."¹² Smiley rather dramatically depicts the sometimes vehement opposition of central agencies to matching grants:

In their more violent moments financial officials are tempted to view shared-cost arrangements as deliberate conspiracies against the public purse by program departments eager to escape what are regarded as desirable measures of political and financial control.¹³

It is also argued that treasury officials dislike 50-50 cost-sharing arrangements because they introduce a measure of uncertainty into the budgetary process as such arrangements are subject to unilateral changes by the federal government.¹⁴ This argument is also noted by Smiley:

Persons...who are committed as a matter of principle or practice to long-term budgetary planning have an understandable coolness towards a device which introduces new uncertainty into the planning process. [...] Provincial financial policy officials are almost continuously anxious that the federal authorities will announce changes in existing shared-cost arrangements or offer to collaborate in new ones with consequent disturbances in provincial financial management.¹⁵

Not only is the danger, as viewed by treasury officials, simply that the federal

¹¹ Dupre et al., 85.

¹² D.V. Smiley, *Conditional Grants and Canadian Federalism* (Ottawa: Canada Tax Foundation, 1963), 41.

¹³ Ibid.

¹⁴ This is particularly relevant to the present considering Bill C-69 and the federally imposed 5% limit on annual increases in CAP funding going to Alberta, Ontario, and E.C.. Canadian Council on Social Development, "Canada's Social Programs are in Trouble," (Ottawa: Canadian Council on Social Development, 1990). See also Government of Alberta, *Alberta Budget Address, 1991*, (Edmonton, 1991), 27.

¹⁵ Smiley, *Conditional Grants*, 41.

government may change or add new programs, but also that once the provinces have been induced to establish programs the federal government will withdraw and leave the provincial treasury to fund the entire program.¹⁶ Programs, once established, are extremely difficult to cut back, and a provincial government may find cutting a program to be politically impossible even though federal cost-sharing has been withdrawn.

According to the standard interpretation, intergovernmental relations officials are inherently inimical to 50-50 cost-sharing on the basis that cost-sharing is an affront to provincial jurisdictional integrity in that it is a source of federally-induced distortion to provincial budgetary priority-setting in areas of exclusive provincial jurisdiction.¹⁷ Intergovernmental relations agencies' concern with program insulation is that it perpetuates a situation in which federal and provincial program officials collaborate but provincial officials do not adequately defend provincial jurisdiction. Certain authors argue that central agencies for intergovernmental relations were created specifically to combat symbiotic relations between federal and provincial program officials in which provincial officials compromised provincial jurisdictional interests. Professor Smiley argues that,

in his stance toward other governments the federal-provincial relations specialist has a single-minded devotion to the power of his jurisdiction. In his relations with elements of his own government the objective of the federal-provincial specialist is to ensure that operating agencies will not by collaborative intergovernmental interactions weaken the power of federal or provincial jurisdiction as such.¹⁸

Woolstencroft asserts, regarding cost-sharing and the erosion of provincial jurisdiction, that "[g]overnments therefore responded by establishing corps of intergovernmental specialists, whose responsibility is to alter this inclination of program specialists to become intimately enmeshed with each other."¹⁹

¹⁶ G. E. Carter, *Canadian Conditional Grants Since WW II* (Toronto: Canada Tax Foundation, 1971), 73.

¹⁷ See Woolstencroft, *Organizing Intergovernmental Relations*, esp. 9-11.

¹⁸ D.V. Smiley, "An Outsider's Observations of Federal-Provincial Relations Among Consenting Adults," in *Confrontation and Collaboration -- Intergovernmental Relations in Canada Today*, ed. R. Simeon (Toronto: Institute of Public Administration, 1979), 110.

¹⁹ Woolstencroft, *Organizing Intergovernmental Relations*, 14. See also Pollard, 61, and Warhurst, "Managing Intergovernmental Relations," 263.

These suppositions about the policy preferences of line departments and central agencies logically generate expectations of conflictual interdepartmental relations. Richard Schultz argues that "[i]t can be assumed that conflict is automatic between operating departments and central agencies that attempt to coordinate such departments and develop 'common policies.'" ²⁰ B. Pollard asserts that "[a] central agency inevitably comes into some conflict with sectorally-defined departments. Virtually, by definition, central agencies tread on the turf of sectoral departments." ²¹ Pollard also argues that "[g]enerally, for them [line department officials], the intergovernmental affairs agency is a constraint and its impact -- to the extent that it exists -- is detrimental." ²² Specifically in regards to shared-cost programs, F.J. Fletcher and D.C. Wallace write that "[i]n Canada, conflict has often been interdepartmental at the federal and provincial levels, rather than intergovernmental..." ²³ Smiley notes regarding shared-cost arrangements that "...the tensions have often been intragovernmental." ²⁴

B. The Dominance of FIGA in the Formulation of Intergovernmental Policy Positions

Throughout much of the literature on how Alberta organizes for intergovernmental relations, FIGA is portrayed as virtually omnipotent. J. Warhurst notes that "Alberta's Department of Federal and Intergovernmental Affairs (FIGA) is most often used as the model for an influential, interventionist intergovernmental coordinating department." ²⁵ Intergovernmental relations specialist Howard Leeson describes FIGA as the epitome of the "mandatory model of coordination" against which he contrasts weaker intergovernmental affairs agencies such as Saskatchewan's. ²⁶ Cynthia Bojechko describes FIGA as a department "with clout" that is "firmly entrenched in the government organization" and which effectively fills its role as a coordinator and mediator. ²⁷

²⁰ Schultz, 7.

²¹ Pollard, 83.

²² Ibid., 85.

²³ Fletcher and Wallace, 161.

²⁴ Smiley, *Conditional Grants*, 40.

²⁵ Warhurst, "Canada's Intergovernmental Relations Specialists," 466.

²⁶ H. Leeson, "The Intergovernmental Affairs Function in Saskatchewan, 1969-1983," *Canadian Public Administration* 30, no.3(Fall 1987): 48.

²⁷ C.J. Bojechko, "Lougheed's Energetic Bureaucrats" (M.A. thesis, University of Alberta, 1982), 18-19.

FIGA's strength is often equated with an ability to control program departments and subordinate their interests to larger, broader interests. Woolstencroft asserts that "FIGA has evolved into a highly effective and powerful department..."²⁸ and that "[i]n general, the well-focussed and specific policy objectives of program officials have been submerged or subordinated to the wider institutional concerns of FIGA and Alberta."²⁹ Woolstencroft describes the mid-1970's:

At this juncture, FIGA commenced to vigorously direct, if not dictate, the approach of the Alberta government to federal-provincial relations.

FIGA's new policy clout...enabled its officials to become more involved in the detailed policy negotiations between the eleven governments. This intensive participation by FIGA's officers propelled even the most recalcitrant departments to endorse the homogeneous "Alberta view."³⁰

Analyses which paint FIGA as the dominant actor in shaping the intergovernmental policy of Alberta have remained relatively unchallenged. The only literature which challenges the importance of intergovernmental agencies tends to be very generic, applicable to intergovernmental relations agencies in general, and is supported with very little empirical evidence. For example, B. Pollard notes that "[a]lthough they do perform a unique role, the influence of officials in central agencies [for intergovernmental relations] over line departments often tends to be exaggerated."³¹ John Warhurst also makes this type of argument: "They [intergovernmental relations specialists] also set out to achieve far more than they actually do in practice.[...] Critics have sometimes overestimated their impact."³² An examination of the interaction among DSSCH, FIGA, and Treasury in shaping Alberta's position on cost-sharing is an excellent opportunity to examine the proposition that FIGA was responsible for "...imposing a consolidated and consistent approach to federal-provincial relations."³³

²⁸ Woolstencroft, "Intergovernmental Emissaries," 122.

²⁹ Ibid., 243.

³⁰ Ibid., 114-115. Woolstencroft argues that it was during the winter of 1973-74 that "FIGA was elevated to the status of a full-fledged central coordinating ministry." Woolstencroft, *Organizing Intergovernmental Relations*, 40.

³¹ Pollard, 88.

³² J. Warhurst, "Managing Intergovernmental Relations," in *Federalism and the Role of the State*, ed. H. Bakvis and W.M. Chandler (Toronto: University of Toronto Press, 1987), 267. See also Warhurst, "Canada's Intergovernmental Relations Specialists," 479.

³³ Woolstencroft, "Intergovernmental Emissaries," 122.

C. Applications of the Literature to the Alberta Policy on Cost-Sharing of Social Services

The study focuses on Alberta's position regarding efforts to reform funding for social services between 1973 and 1979. This is an important period in the history of cost-sharing for social services as it covers the period from the inception of the Social Services Review (SSR) which marked the beginning of negotiations of cost-sharing arrangements for social services to the ultimate collapse of those negotiations in 1979. Eligible social services have been funded under the conditional cost-sharing arrangements of the Canada Assistance Plan (CAP) since 1966. Under CAP, the federal government contributes 50% of the total funds expended by the provinces upon welfare services and eligible social services -- matching provincial funds dollar for dollar.³⁴ The federal government's Social Services Review provided the impetus for federal-provincial negotiations to deal with several shortcomings inherent in CAP. The first federally proposed reform of social service funding sought to broaden the cost-sharing arrangements -- replacing the social services provisions of CAP with an agreement that expanded the variety and scope of services eligible for cost-sharing. However, with provincial support eroding, the federal government unilaterally advocated a move to block-funding for social services.³⁵ Some provinces initially opposed this move but quickly all provinces fell into line and supported the move. Shortly thereafter, as a result of fiscal and electoral imperatives, the block-funding arrangement for social services was unilaterally withdrawn by the federal government -- leaving the pre-Review cost-sharing status quo intact. The efforts to reform CAP had failed.

The literature on cost-sharing would lead one to expect DSSCH to support matching grants in preference to non-matching transfers while the two central agencies -- FIGA and Treasury -- would prefer the latter. One study argues that conflictual relations based on divergent departmental interests regarding cost-sharing existed in

³⁴ K. Banting, *The Welfare State*. This type of 50-50 matching arrangement will be referred to throughout as matching grants, conditional cost-sharing, or simply, cost-sharing.

³⁵ Throughout, the term block-funding will refer to non-matching transfers of cash (though in specific instances, i.e. EPF, block-funding may include a partial transfer of tax points.)

Alberta between DSSCH officials and central agents -- specifically FIGA. On the basis of interviews conducted with senior civil servants in 1979, Woolstencroft argues that

...the officials in the Department of Social Services and Community Health, most of whom were social workers, believed that cost-sharing programs were the most efficient instruments to implement basic social services with minimum national standards [...] these welfare professionals were inclined to surrender provincial control to the federal authorities if they believed it would improve the delivery of social programs and/or their functional interest. FIGA, obsessed with asserting the notion of "Alberta first", came into conflict with the welfare department over cost-sharing arrangements.³⁶

Thus, Woolstencroft paints a picture of DSSCH interests diametrically opposed to those of FIGA and offers concrete suggestions about which policy preference could be expected to prevail as "...intensive participation by FIGA's officers propelled even the most recalcitrant department to endorse the homogenous 'Alberta view.'"³⁷

However, contrary to the cost-sharing literature and Woolstencroft's assertion of FIGA's dominance, this study will demonstrate that DSSCH -- in accordance with its departmental interests -- preferred tax point transfers for the funding of social services which was congruent with the policy objectives of the central agencies (FIGA and Treasury). It will be shown that FIGA did not directly impose a substantive policy position on DSSCH nor was there overt conflict between the two departments. The study will show that that DSSCH was not coerced or socialized into preferring non-matching grants; rather, its line department interests were served by its support for unconditional transfers.

D. Overview

Chapter Two presents a description of the Canada Assistance Plan (CAP) and a history of the efforts to reform the funding of social services. This will include a discussion of the reasons for and the forces behind the reform of funding arrangements, the reforms proposed, and the ultimate fate of these proposals. The chapter will then present Alberta's positions regarding the specific reform proposals.

³⁶ Woolstencroft, "Intergovernmental Emissaries," 104.

³⁷ Ibid., 114-5.

Chapter Three begins by examining possible explanations of Alberta's positions based on the conventional interpretation of conflicting departmental interests. The chapter then examines the positions of the individual departments regarding the different federal initiatives. This examination demonstrates that the positions of the different departments were largely congruent thus questioning the validity of the standard cost-sharing interpretations and the explanations presented at the beginning of the chapter.

Chapter Four identifies the bases for converging departmental policy preferences and examines the departmental interests upon which these policy preferences were based. The chapter demonstrates that the optimal alternative to cost-sharing as viewed from fiscal, programmatic, and jurisdictional perspectives was the same -- the transfer of tax points for the funding of social services. Alberta's natural resource wealth and the instability of negotiations and intergovernmental agreements as a result of federal unilateralism significantly impacted on the jurisdictional, fiscal, and programmatic aspects of cost-sharing and significantly contributed to the convergence of departmental policy preferences. This alternative view of departmental interests helps explain why departmental policy preferences regarding the cost-sharing of social services diverged from the expectations generated by the cost-sharing literature.

Chapter Five will present a summary of the study. It will then explain Alberta's positions as outlined in Chapter Two as products of converging departmental policy preferences rather than a result of interdepartmental conflict/hierarchical coordination or the socialization of line departments by central agents and demonstrates the weaknesses of the latter argument. An argument will be presented about the importance of considering the context in which policy is formulated in constructing explanations for government policy. Finally, the chapter will discuss the difficulty of making assumptions about departmental policy objectives based on the ambiguous notion of departmental interests.

II. THE CANADA ASSISTANCE PLAN: ESTABLISHMENT AND ATTEMPTS AT REFORM

This chapter provides background information about the cost-sharing of social services under CAP, as well as a history of the efforts to reform these arrangements in the 1973-79 period. The emphasis of the latter part of the chapter is upon the policy positions and actions of the government of Alberta.

A. The CAP: Establishment and Background

Cost-sharing of social services resulted from the fact that even though the jurisdictional responsibility for the provision of social services was clearly in the provincial domain, a gap existed between those responsibilities and the financial capacity of the provinces to provide such services. Under the provisions of the Constitution Act 1867, provincial governments have jurisdictional responsibility for the provision of social services by virtue of section 92(7) which allocates provincial governments jurisdiction over "The Establishment, Maintenance and Management of Hospitals, Asylums, Charities and Eleemosynary Institutions in and for the Province..." as well as jurisdiction "over all matters of a merely local or private nature."³⁸ While this constitutional division of power may have been well-suited to an age where charities and alms were largely attended to by the Church and private institutions, the distinction between constitutional/jurisdictional primacy and fiscal ability became evident with the advent of the Great Depression when private organizations could no longer meet the needs of the massive numbers of people requiring social services. The Depression clearly signalled the fact that the provincial governments did not have adequate resources to accept the full burden of fiscal responsibility for welfare and social services at the same time that the unlimited ability of the federal government to tax, raise and disburse funds made it the sole level of government with adequate resources

³⁸ L.A. Pal, "Federalism, Social Policy and the Constitution," in *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, ed. J.S. Ismael (Montreal: McGill-Queen's University Press, 1985), 12. See also Government of Canada, *A Study Team Report to the Task Force on Program Review: Canada Assistance Plan* (Ottawa: Minister of Supply and Services, 1985), 41. This task force is referred to throughout as the Nielsen task force.

to accept fiscal responsibility in this area.³⁹ Due to constitutional rigidities, addressing this imbalance through constitutional amendment was probably not feasible. Writing prior to the patriation of the Canadian Constitution, Smiley noted:

The most explicit kind of adjustment in a federal system is one altering the text of the constitution to reallocate particular legislative powers between the federal and regional governments. In Canada, as in most other established federations, this kind of adaptation has proved difficult to effect. Since 1867 there have been only three constitutional amendments altering the respective legislative powers of Parliament and the provinces...⁴⁰

This significant imbalance between constitutional jurisdictional authority and financial capability coupled with constitutional rigidities created the need for an alternative approach. Thus, resting upon the "...exclusive constitutional basis of the federal spending power, the federal government sought to implement cost-sharing arrangements."⁴¹ However, despite federal fiscal contributions, administration of social services and program delivery legally remained the full responsibility of the provinces.⁴²

The late 1950's and 1960's saw an explosion in the breadth and scope of the welfare state. Following initiatives taken in the United States, Canadian governments began a concerted effort to battle poverty.⁴³ This led to the creation of a wide variety of income assistance and social service programs. Extending the scope of the social welfare net necessitated extending the scope of federal-provincial cooperation in providing social services. Cost-sharing arrangements between the federal and provincial levels of government were implemented for a variety of programs although the approach was somewhat ad hoc. As a major matching conditional cost-sharing "umbrella" program, CAP was described as a "major strategy in the federal government's war on poverty."⁴⁴ It was one of five major federal social programs instituted between 1964

³⁹ Ibid., 57.

⁴⁰ Smiley, *Constitutional Adaptation and Canadian Federalism* (Ottawa: Queen's Printer, 1970), 37.

⁴¹ K. Banting, "Federalism and Income Security," in *Ottawa and the Provinces: The Distribution of Money and Power* Vol.1, ed. T.J. Courchene et al. (Toronto: Ontario Economic Council, 1985), 256.

⁴² Government of Canada, *A Study Team Report: Canada Assistance Plan*, 45.

⁴³ Ibid., 67.

⁴⁴ Government of Canada, *Fiscal Federalism in Canada: Parliamentary Task Force on Federal-Provincial Fiscal Arrangements* (Ottawa: Minister of Supply and Services, 1981), 151. See also Government of Canada, *A Study Team Report: Canada Assistance Plan*, 42.

and 1966.⁴⁵ After several years of negotiations, the CAP legislation was passed and was implemented in the following year.⁴⁶ The CAP negotiations between levels of government were described in retrospect as a major triumph of cooperative federalism.

⁴⁷

CAP was created for several reasons. The legislation was primarily designed to deal with the "prevention and removal of the causes of poverty" and to provide cost-sharing for work-activity projects.⁴⁸ CAP allowed for the rationalization and consolidation of a wide variety of categorical income security programs under one umbrella program.⁴⁹ Previously existing shared-cost assistance programs that were based on categorical eligibility (i.e. blindness, disability, etc.) would be replaced by non-categorical assistance including the removal of the distinction between employable and unemployable recipients.⁵⁰ There were federal conditions attached although it is argued by some that the conditions which the provinces must meet are not very rigorous.⁵¹ For most of the agreements under the Act, there were five conditions: 1. the province must provide assistance to any person in the province who is in need; 2. there must be no provincial residency requirement as a criterion of eligibility; 3. an appeal procedure must exist; 4. the province must "maintain accounts" regarding funds disbursed in the provision of social services and assistance; and 5. the province must make available all provincial legislation and regulations concerning the plan.⁵² Cost-shared

⁴⁵ These included the Canada Assistance Plan, the Canada Pension Plan, Medicare, Guaranteed Income Supplement for seniors, and Youth Allowances. Government of Canada, *A Study Team Report: Canada Assistance Plan*, 66.

⁴⁶ A. Moscovitch, "The Canada Assistance Plan: A Twenty Year Assessment, 1966-86," in *How Ottawa Spends*, ed. K. Graham (Don Mills: Carleton University Press, 1989), 272.

⁴⁷ R. Dyck, "The Canada Assistance Plan: The Ultimate in Cooperative Federalism," *Canadian Public Administration* 19, no.4 (Winter 1976), and Banting, *The Welfare State*, 113.

⁴⁸ Moscovitch, 274.

⁴⁹ Government of Canada, *Fiscal Federalism*, 151, and Government of Canada, *A Study Team Report: Canada Assistance Plan*, 42. The categorical programs which were replaced included Old Age Assistance, Blind Persons Allowances, Disabled Persons Allowances and Unemployment Insurance.

⁵⁰ Moscovitch, 274. This would also include ruling out the need for assistance recipients to accept employment -- thus disqualifying "work for welfare" schemes. This restriction was later to become a major bone of contention between the federal government and the government of Alberta.

⁵¹ Banting, *The Welfare State*, 95.

⁵² Moscovitch, 275. The restrictiveness of these conditions will be discussed in

activities included a wide variety of services such as the provision of welfare and social services to recipients deemed to be "in need."⁵³

From 1966 to 1977, CAP was one of a number of conditional grants including cost-sharing for post-secondary education and hospital insurance. In 1977, when the other major conditional cost-sharing arrangements were converted to block-funding arrangements, CAP became the most significant conditional cost-sharing arrangement: "After the 1977 legislation was enacted," Smiley notes, "the most important conditional grant program was that for social assistance and social services under the Canada Assistance Plan which in the 1977-78 fiscal year accounted for 62.0 per cent of all federal conditional payments to the provinces."⁵⁴ In order to put the magnitude of funding transfers under CAP into perspective, it is noteworthy that although it is the largest shared-cost program, the funds transferred under the auspices of CAP in the 1973-78 period amounted to less than one fifth of the total funds transferred from the federal government to Alberta.⁵⁵

Almost immediately after its inception, CAP became a subject of numerous reviews, assessments, and proposals.⁵⁶ However, none of these reviews resulted in changes to CAP and none approached the scale of the Social Services Review of the 1970's.

⁵²(cont'd) Chapter Four. This discussion will question the conclusion that CAP conditions can accurately be described as lax.

⁵³ These included "homes for special care, children's institutions, child welfare, welfare services, and health care." Moscovitch, 288. A handful of miscellaneous programs also fall under the CAP administrative umbrella including programs as diverse as adoption services, day care and homemaker services, counselling, and rehabilitation services. D.J. Hum, *Federalism and the Poor: A Review of the Canada Assistance Plan* (Toronto: Ontario Economic Council, 1983), 5.

⁵⁴ Smiley, *Canada in Question: '80's*, 177. See also P. Leslie, "Canada: The State of the Federation," in *Canada: The State of the Federation, 1985*, ed. P. Leslie (Kingston: Queen's University Press, 1986), 25.

⁵⁵ See Table 4, Appendix 2 for data on total funds and funds transferred under CAP and for health and post-secondary education.

⁵⁶ Government of Canada, *A Study Team Report: Canada Assistance Plan*, 68-75.

B. First Major Effort to Reform CAP: The Social Services Act (SSA) and Expanded Cost-Sharing

The first major review of funding arrangements for social services under the Canada Assistance Plan occurred with CAP's inclusion in the federally initiated Social Services Review(SSR) in the 1970's.⁵⁷ Writing in 1980, C. Leman stated that the Review was "...the most intensive federal-provincial consultation ever attempted in Canada."⁵⁸ The federal rationale for including CAP in the Review was ostensibly the failure of the program to provide aid to the working poor.⁵⁹ The broader impetus for the Review was the need to deal with Quebec's concerns regarding jurisdiction over social policy which had been the ultimate stumbling block of the 1971 Victoria constitutional agreement.⁶⁰ The lengthy three-pronged review considered a social service strategy (as well as an employment strategy and an income security strategy.) Social service spending in this period constituted roughly one third of all CAP expenditures which in the 1977-78 fiscal year was approximately \$500 million of the \$1430 million total CAP transfers.⁶¹

The Social Services Initiative culminated in April 1975 with the federal minister of Health and Welfare Canada(HWC) Marc Lalonde presenting provincial welfare ministers with a federal proposal (the Social Services Act(SSA)) modifying the cost-sharing provisions of CAP. A finalized agreement between the federal government and the provinces on the new social services cost-sharing arrangement was announced in early February of 1976 pending ratification by provincial cabinets.⁶² Not only did the legislation preserve the cost-sharing arrangements but it also expanded the opportunities for cost-sharing under CAP to a wider range of services.⁶³ The SSA was "...intended to

⁵⁷ Moscovitch, 272.

⁵⁸ Leman, 113.

⁵⁹ Government of Canada, *A Study Team Report: Canada Assistance Plan*, 47.

⁶⁰ R.W. Phidd and G.B. Doern, *Canadian Public Policy: Ideas, Structure, Process* (Toronto: Methuen, 1983), 368. See also Van Loon, 473.

⁶¹ R. Boadway, "Intergovernmental Transfers," in *Fiscal Federalism*, ed. M. Krasnick (Toronto: University of Toronto Press, 1985), 29. See also Appendix 1 of this thesis.

⁶² "Cost-Sharing Plan for Social Services Makes Headway," *Calgary Albertan*, 4 Feb. 1976.

⁶³ These included crisis intervention, family planning, special programs for children, social integration services, home support services, transportation services for the disabled, etc. "Lalonde Offers Plan to Upgrade Social Services," *Edmonton Journal*, 30 Oct. 1975. See also D. Guest, *The Emergence of Social*

reinforce and extend...the financial incentive... for provincial governments to develop a comprehensive network of welfare services." ⁶⁴ The scheme was estimated to increase federal welfare spending from \$484 million to \$616 million by 1978 -- an increase of \$132 million in the first year. ⁶⁵ The SSA still contained some measures of federal leadership though it allowed provinces considerably more flexibility in program design than the CAP arrangements. ⁶⁶ The SSA, Bill C-57, was introduced into the House of Commons in June of 1977. ⁶⁷

C. The Death of the Social Services Act and the Birth of the Social Services Financing Act (SSFA)

In September 1977, only three months after the introduction of Bill C-57, Lalonde announced that the funding for social services would be changed to "essentially unconditional" block-funding. ⁶⁸ This unilateral federal initiative was embodied in Bill C-55, the Social Services Financing Act (SSFA). Under this legislation introduced in early 1978, a formula was proposed to determine the initial amount granted to each province for social services and this amount would be increased annually at a rate linked to the growth of the nominal GNP which was the same formula governing increases in Established Programs Financing (EPF) grants. ⁶⁹ This proposal differed from the SSA in

⁶³(cont'd) *Security in Canada*, 2nd. ed. (Vancouver: U.B.C. Press, 1985), 195 and G. Riches, "Review of the Study Team Report to the Task Force on Program Review," *Canadian Review of Social Policy*, nos.16,17(Oct. 1986, Jan. 1987): 379.

⁶⁴ Riches, 379.

⁶⁵ Federal Health and Welfare, *News Release*, 20 June 1977 and "Lalonde Plans Welfare Fund for New Services" *Edmonton Journal*, 21 June 1977.

⁶⁶ M. Kelly, "The New Social Services Legislation: What Next?" in *Perspectives on Canadian Health and Social Services Policy: History and Emerging Trends*, ed. C.A. Meilicke and J.L. Storch (Ann Arbor, Mich.: Health Administration Press, 1980), 372.

⁶⁷"Lalonde Plans Welfare Funds for New Services," *Edmonton Journal*, 21 June 1977.

⁶⁸ Splane, 7.

⁶⁹ See Boadway, "Intergovernmental Transfers," 41, Banting, *The Welfare State*, 208; D. Matheson, "Clarifying Social Welfare," *Policy Options*, (July 1983): 26; and Government of Canada, *A Study Team Report: Canada Assistance Plan*, 5.13. The EPF escalation factor was partially based on the GNE and partially based on the percentage increase in personal income. "Alberta Position on Social Services Block Funding," DSSCH Briefing Papers, DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. Under the EPF arrangements

significant ways. The most important of these differences was that the SSFA was close-ended. Federal contributions would be non-matching and annual increases would be determined by a fixed formula and not on the basis of how much the provinces spent -- thus, they were no longer potentially unlimited but fixed. Also, the SSFA was to largely remove statutory conditions and program eligibility requirements associated with cost-sharing.⁷⁰ Thus, the SSFA was unconditional in the sense that federal contributions would no longer be dependent upon how much each province spent on social services or how those funds were spent. Another difference was that the SSFA was block-funding in the sense that a block of funds were being transferred to each province for the provision of social services as opposed to the arrangements under CAP and the SSA by which specific bilateral agreements were entered into for each individual eligible program.

Several authors provide a variety of explanations for this unilateral federal block-funding initiative. According to Richard Van Loon, the impetus behind this change was a desire on the part of federal Treasury officials for a funding plan in which the federal government would have greater control over its level of contributions and in which federal contributions would increase in a more stable and predictable manner.⁷¹ Under CAP and the SSA, federal expenditure levels were largely being unilaterally determined by the provinces and latitude for discretionary spending in the area of welfare and social services was enjoyed by the provinces although the fiscal burden was shared with the federal government. Under block-funding, provincial increases in social assistance expenditures did not increase the burden on the federal budget. Under

⁶⁹(cont'd) federal contributions were divided into two parts: 13.5 personal income tax points and one corporate income tax point (averaged to the national average) and a roughly equal amount of cash grants. M.C. Brown, *Established Programs Financing: Evolution or Regression in Canadian Fiscal Federalism?* (Canberra: Centre for Research on Federal Financial Relations, 1979), 22. It is important to note in this regard that "block-funding" arrangements could incorporate the transfer of tax points -- the two are not logically distinct (however, in this thesis the term block-funding refers to non-matching grants with a cash component.) The SSFA was not to include a tax point component.

⁷⁰ Three essential conditions remained: there was a restriction against provincial residency requirements; the provinces would be required to acknowledge the federal contribution in all provincial information; and finally, the provinces would be required to provide statistical data to the federal government on the service being provided. Splane, 8.

⁷¹ Van Loon, 490.

matching arrangements, the federal government was virtually locked into matching the funds that were disbursed by the provinces which in the late 1970's and early 1980's were "rapidly rising."⁷² In explaining the death of the SSA, Richard Van Loon argues:

By mid-1976, the balance had tipped against shared-cost programs...Many in the federal government believed that these programs were sufficiently well-established that provinces would continue to operate them even if funds were provided en bloc or by a transfer of "tax room" rather than after an audit of expenses; that method would allegedly make federal expenditures in this area more predictable.⁷³

A related rationale for the move to block-funding was that while federal treasury officials felt more predictable expenditure estimates were desirable, senior federal officials were increasingly concerned about the administrative complexities of the SSA and doubted the ability of the federal government to shape provincial priorities in the area.⁷⁴ Further, negotiations over administrative questions had become increasingly difficult.⁷⁵

Another suggested rationale for the change to block-funding was that several of the provinces -- notably Quebec -- were backing away from the SSA and this provincial wavering effectively doomed the initiative. Undoubtedly, considering the state of provincial politics in Quebec following the Parti Quebecois victory in 1976, it is plausible that Quebec would never have agreed to the new cost-sharing initiative and the Quebec minister, Denis Lazure, made such an argument.⁷⁶ Leonard Shifrin argued that it was pressure from Quebec and Ontario which effectively killed the SSA.⁷⁷ These two

⁷² M.J. Prince and J.J. Rice, "Department of National Health and Welfare: The Attack on Social Policy," in *How Ottawa Spends Your Tax Dollar: Federal Priorities 1981*, ed. G.B. Doern (Toronto: James Lorimer and Co., 1981.), 95.

⁷³ Van Loon, 490.

⁷⁴ Ibid.

⁷⁵ One example is the question of what part of a building constitutes a welfare institution (administered under social service funding arrangements) and what part constitutes a health institution (administered under health care funding arrangements.) The Nielsen Report notes that "[d]isputes about where such lines should be drawn led to the downfall of the Social Services Act in 1977, and generally made for a contentious atmosphere in federal-provincial relations as the Social Security Review came to a close amid the economic constraints of 1978." Government of Canada, *A Study Team Report: Canada Assistance Plan*, 80.

⁷⁶ Splane, 8.

⁷⁷ L. Shifrin, "Edmonton Journal, 14 Jan. 1981. This article was photocopied and found in the DSSCH Senior Management Committee agendas/minutes file marked for attention by DSSCH senior management.

provinces were demanding an unconditional transfer of tax points rather than matching cost-sharing for social services. ⁷⁸ Quebec supported a tax point transfer for jurisdictional reasons and Ontario for fiscal reasons:

Since the value of tax points is highest where incomes are highest -- meaning Ontario -- that province's government decided Quebec had an excellent idea and quickly passed the word to Ottawa that it wanted out too. ⁷⁹

The federal government initially experienced difficulty in securing the agreement of the provinces to the SSFA with all ten provincial welfare ministers originally publicly opposing the move to block-funding through a joint statement stridently criticizing Lalonde for moving unilaterally and jeopardizing existing social service programs. ⁸⁰ The communique was issued after an Interprovincial Conference in Edmonton in 1977:

After great expectations for new programs were raised across the nation by the federal Minister when he introduced the new Social Services Act, it now appears that even some of the existing programs are in jeopardy. ⁸¹

In explaining provincial hostility towards the announcement, the Alberta social services minister Helen Hunley stated as chairperson of the interprovincial meeting of social service ministers that "[a]ll provincial ministers are united in their rejection of the tactics used by the former federal minister... in making a unilateral proposal regarding funding arrangements...without consultation with the provinces." ⁸² As a publicly issued communique, it is difficult to believe that the statement did not contain a significant amount of political rhetoric aimed at the federal government.

Provincial opposition to the block-funding proposal was considerably less substantive and less unified than it originally appeared. Shifrin argues:

When the provinces are divided on the substance of a federal proposal, but determined to put forward a common front, they find their unanimity in an

⁷⁸ The basic difference between these demands and block-funding under SSFA (the compromise subsequently reached) was that the transfer of tax room would be totally unconditional (the SSFA did retain some conditions) and would have no cash grant component. The significance of this difference is more fully explained in Chapter 4.

⁷⁹ L. Shifrin, "Ottawa's Rigid Stand on Cost-Sharing Questioned," *Calgary Herald*, 4 Oct. 1977.

⁸⁰ "Alberta Joins Funding Fight," *Calgary Albertan*, 23 Sept. 1977.

⁸¹ Alberta Federal and Intergovernmental Affairs, *Annual Report*, 1978, 19.

⁸² "Social Services Battle Has Alberta in Quandary," *Edmonton Journal*, 23 Sept. 77.

attack on the federal tactics.⁸³

The provinces simply did not agree on alternative methods of funding.⁸⁴ An October 5th 1977 meeting of Interprovincial Officials on Block-Funding revealed the interprovincial conflict:

...it became clear at the outset that the provinces were strongly divided on the whole issue of block-funding, with five of the provinces in favour of the block-funding principle and five preferring a cost-sharing arrangement with the federal government. The provinces were divided as follows:
 -cost-sharing: Saskatchewan, Newfoundland, Nova Scotia, P.E.I., and Manitoba
 -block-funding: Alberta, Quebec, Ontario, British Columbia and New Brunswick⁸⁵

By November 7th, Newfoundland and Manitoba had conceded and accepted the block-funding alternative.⁸⁶ By early December, the block-funding proposal was rejected in principle only by Saskatchewan.⁸⁷ Derek Hum notes that "[n]ot all provinces supported the block-funding offer, but eventually, under strong pressure from the federal government, a reluctant consensus was reached."⁸⁸

The negotiations following the initial announcement were marked by extremely tough bargaining, threats of federal unilateralism, and rumours of impending federal retribution. The federal government had effectively limited the options to be considered. An Ontario social services staff paper notes:

It was made clear to the provinces that the federal government would not consider any tax point proposal, although this was the expressed preference of both Ontario and Quebec. In effect, the only choice for the provinces was to accept the revised block-funding offer, or to continue with the existing legislation.[...]The federal government rejected from the outset the possibility of a modified version of the Canada Assistance Plan.⁸⁹

⁸³ L. Shifrin, "Ottawa's Rigid Stand on Cost-Sharing Questioned," *Calgary Herald*, Oct. 4, 1977.

⁸⁴ "All Provinces Protest Social Service Changes," *Calgary Herald* 23 Sept. 1977.

⁸⁵ J.P. Meekison, DM FIGA, to L. Hyndman, Min. FIGA, 3 Nov. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁸⁶ J.P. Meekison, DM FIGA, to L. Hyndman, Min. FIGA, 7 Nov. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁸⁷ M. Begin, Min. HWC, to H. Hunley, Min. DSSCH, 14 Dec. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁸⁸ Hum, *Federalism and the Poor*, 26.

⁸⁹ Ontario Ministry of Community and Social Services Staff Paper, "Specific Concerns about the New Social Services Financing Act and Related Information Package," n.d. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

Federal intransigence was clear. In a letter to the Alberta minister, the federal minister clearly stated that "any modification that would have the effect of increasing the over-all federal contribution is not one that I could support or that the federal government could consider..."⁹⁰ The federal government did not even appear amenable to discussing the proposals by way of a federal-provincial meeting of Ministers of Social Services. Alberta officials had been "...led to believe that such a meeting would be unwelcome to Ottawa unless all or the majority of the provinces first agree to the federal proposal and that, if it is not accepted, the alternative is likely to be a return to the status quo in the form of the Canada Assistance Plan."⁹¹ An Alberta interdepartmental memo advised that "[t]here appears to be no room for negotiation on the financial aspects of the proposal. The threat of withdrawal of the offer of block funding, and reversion to the Canada Assistance Plan or a tougher Social Services Act, should be taken seriously."⁹² Alberta officials also believed in the case of a return to CAP that annual increases in CAP funding would inevitably be imposed by the federal government.⁹³ An indication of how difficult negotiations had become was B.C. Minister of Human Resources Bill Vander Zalm's note of the existence of another potential negotiating lever held by the federal officials and the recognition of its existence among the provinces: "Some concern has been expressed that interpretations under the Canada Assistance Plan will become overly restrictive and punitive if the block-funding offer is not accepted."⁹⁴

Only three months after announcing the change to block-funding, the federal government unilaterally announced a reduction of the funds to be transferred. In December 1977, federal welfare minister Monique Begin announced that only \$575

⁹⁰ M. Begin, Min. HWC, to H. Hunley, Min. DSSCH, 20 Oct. 1977. Also M. Begin to H. Hunley, 14 Dec. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁹¹ H. Hunley, Min. DSSCH, to P. Lougheed, Premier, 27 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁹² L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 13 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁹³ S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 14 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

⁹⁴ W. Vander Zalm, Notes for Statement to Federal-Provincial Conference of Welfare Ministers, March 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

million would be put into funding in the first year of the program and not the originally promised figure of \$707 million although she claimed that the additional \$132 million (which was to compensate for the scrapped SSA) would be available in succeeding years starting in 1979-80. ⁹⁵ In the same letter, the federal government also unilaterally imposed a time deadline (April 1, 1978) for a consensus to be reached or there would be a reversion to the status quo. ⁹⁶

Despite the original appearance of provincial recalcitrance and the federal scaling down of the level of funding, by March 1978, Ottawa had the agreement of a majority of the provinces to specific arrangements providing for a change to block-funding -- with the exceptions of Saskatchewan, British Columbia, Nova Scotia, and Prince Edward Island. ⁹⁷ Leonard Shifrin describes the views of the dissenting provinces:

Saskatchewan called it "not even second rate." For British Columbia it was "extremely disappointing." Nova Scotia expressed a "certain regret" at the turn of events, while Prince Edward Island simply threw in the towel and went home. ⁹⁸

The minister of social services for Saskatchewan complained that "...under the new formula there is no guarantee the money won't be spent on roads instead of social services." ⁹⁹ The Minister of Human Resources for British Columbia, Bill Vander Zalm said that the new block-funding "...is just a shifting of the financial burden to the provinces." ¹⁰⁰ However, the federal minister downplayed the conflict and claimed that only Saskatchewan had "...certain reservations that I would describe as ideological" ¹⁰¹ -- an obvious reference to that province's New Democratic government.

⁹⁵ M. Begin, Min. HWC, to H. Hunley, Min. DSSCH, 14 Dec. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64. See also "Federal Welfare Chief Seeks Funding Meet," *Edmonton Journal*, 20 Dec. 1977. This announcement was made by the federal minister very shortly after receiving written statements from the provinces overwhelmingly supporting the block-funding deal as it had stood.

⁹⁶ Ibid.

⁹⁷ "New Financing Plan for Social Services Prompts Some Fears," *Calgary Herald* 8 Mar. 1978 and L. Shifrin, "A 'Triumph' for New-Style Cooperative Federalism," *Calgary Herald*, 14 Mar. 1978.

⁹⁸ L. Shifrin, "A 'Triumph' for the New-Style Co-operative Federalism?," *Calgary Herald*, 14 Mar. 1978.

⁹⁹ "New Financing Plan for Social Services Prompts Some Fears," *Calgary Herald*, 8 Mar. 1978.

¹⁰⁰ Ibid.

¹⁰¹ "New Social Service Funding Planned," *Calgary Herald* 13 May 1978.

D. The Death of the Social Services Financing Act

The SSFA legislation was introduced by Begin into the House of Commons in early May 1978.¹⁰² However, with the onset of a restraint mentality on the part of the federal government, Bill C-55 pitted federal fiscal interests squarely against provincial interests:

From the provincial perspective, block-funding meant that the federal contribution, in any year, would be limited to a predetermined, fixed amount, regardless of variable rates of unemployment or unanticipated program costs. In order to insure against such risks, the provinces would have had to negotiate for much more generous funding formulae than the federal government was willing to concede. [...] In short, the block-funding alternative was politically unsaleable.¹⁰³

Although the federal government had decreased its financial commitment to the scheme, this changeover in funding schemes would still have increased the federal treasury's contribution to social services spending from \$508 million to \$575 million.¹⁰⁴ Because the new funding scheme represented a significant short-term increase in federal fiscal obligations, when the federal government began to view its primary priority as short-term fiscal restraint in 1978, the federal government began to retreat. Smiley concurs with these assessments: "...the government later in 1978 decided not to reintroduce the legislation because of the significantly increased federal responsibilities it provided for in the light of Ottawa's decision in August of that year to embark on a policy of drastic fiscal restraint."¹⁰⁵ In November 1978, the federal Finance Minister Jean Chretien announced that two federal programs -- block funding of social services and a funding agreement for community services -- would be postponed for one year at a cost (estimated by federal officials) of \$250 million to the provinces.¹⁰⁶ A FIGA annual report noted the unilateral federal withdrawal of the block-funding proposal:

In 1977, agreement was reached concerning the proposed federal **Social Services Financing Act**, wherein block funding of social services would replace the shared-cost provisions under the Canada Assistance Plan (CAP). With the budget cuts, the federal government decided not to proceed with the proposed Act, but to continue to cost-share welfare assistance and social

¹⁰² Ibid.

¹⁰³ Matheson, 26-9.

¹⁰⁴ "New Financing Plans for Social Services Prompts Some Fears," *Calgary Herald*, 8 Mar. 1978.

¹⁰⁵ Smiley, *Canada in Question: '80's*, 177.

¹⁰⁶ "Ottawa Forced to Delay Cuts in Programs," *Calgary Herald*, 4 Nov. 1978.

services under the CAP.¹⁰⁷

The reaction of the provinces was predictable: "...the changes angered provincial finance ministers who called the action arbitrary and disturbing."¹⁰⁸ In the words of Quebec Minister of Finance Jacques Parizeau, the federal government gave the provinces the option of "being eaten boiled or fried."¹⁰⁹ Though, in the terms of the federal officials, the initiative was technically deferred, the delay signalled that the SSFA was, for all intents and purposes, unilaterally terminated.¹¹⁰

A. Sayeed argues that "...the strained state of federal-provincial relations and the federal government's concern that no new spending be undertaken before the 1979 election led to the withdrawal of the proposal."¹¹¹ However, contrary to Sayeed's assessment which largely lays the blame at the foot of the federal government, Monique Begin attempted to paint a picture of cooperative relations existing between the ministers of social services which had been disrupted by interference from provincial finance officials. Despite some significant recalcitrance from provinces such as Saskatchewan, B.C., and P.E.I., the federal minister attempted to downplay the conflict between the federal government and the provinces (as well as among the provinces themselves) and reduce what conflict she would admit existed to partisan/ideological conflict. Further, in a statement in the House of Commons that the announcement to kill the block-funding proposal was made in November 1978 "...with the concurrence of at least eight of the ten provinces,"¹¹² she explicitly pointed to intragovernmental conflict at the provincial level as a significant factor threatening the adequate funding of social services:

...all welfare ministers in the country have worked shoulder to shoulder and have fought for their budgets. The provincial ministers told me that they failed to get support from the finance ministers of their own governments

¹⁰⁷ Alberta Federal and Provincial Affairs, *Annual Report*, 1979, 29.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ See Van Loon, 473; Leman, 130; and Hum, *Federalism and the Poor*, 26.

¹¹¹ A. Sayeed, "The Canada Assistance Plan: Some Background," in *Ottawa and the Provinces: The Distribution of Money and Power*, Vol. 2, ed. T.J. Courchene et al. (Toronto: Ontario Economic Council, 1985), 297.

¹¹² Guest, 199. Some authors such as D. Guest in *The Emergence of Social Security* unquestioningly accepted Monique Begin's statement.

and that those finance ministers had identified the social services bill as a target for budget restrictions.¹¹³

However, Begin's assessment grossly misrepresents the situation.

Hum argues that "[t]he federal minister of Health and Welfare finally conceded that Bill C-55 was dead; its death attributable in part to reductions in federal expenditures dictated by events external to the review process and in part to provincial objections and deteriorating federal-provincial relations."¹¹⁴ The initial postponement and ultimate death of the block-funding proposal for social services was a direct result of a conscious decision by provincial finance ministers to protect EPF arrangements at the expense of the SSFA in the face of strong federal pressure. The Nielsen Task Force notes that "[t]he proposed Social Service Financing Act was an early victim of restraint, sacrificed when provinces would not agree to any cutbacks in the EPF arrangements."¹¹⁵ The death of the SSFA was the lesser of two evils:

It is not difficult to understand why the provincial finance ministers opted to sacrifice social services. At their November meeting the choice they were offered was essentially whether to amend the key financing instrument for three of their highest cost programs or to put off implementing two distinctly lower profile programs.¹¹⁶

There also existed the danger of establishing a precedent in allowing the federal government to unilaterally amend previously signed agreements.

The arbitrary and unilateral nature of the federal announcement to terminate the move to block-funding is clearly evidenced in a statement made in the House of Commons by Prime Minister Trudeau:

...we announced that we had to reduce the rate of growth in our spending. That is indeed one sector [social services] where expenses will be cut down. We would have preferred to do it in other sectors as well, for instance through the Established Programs (Interim Arrangements) Act, but the provinces turned that solution down. They said that it was a signed agreement. So we said very well. You do not want us to touch this one, we will change the ones that have not been signed yet.¹¹⁷

¹¹³ House of Commons, *Official Debates*, 21 Dec. 1978, 2341.

¹¹⁴ Hum, "The Working Poor," 38.

¹¹⁵ Government of Canada, *A Study Team Report: Canada Assistance Plan*, 84.

¹¹⁶ "Death-Knell Sounded for Improved Social Services Funding Scheme," *Perception*, (Jan.-Feb. 1979): 36.

¹¹⁷ House of Commons, *Official Debates*, 17 Nov. 1978, 1226.

After the federal withdrawal of the block-funding arrangements, regardless of provincial sentiments, block-funding for social services was no longer an issue on the immediate agenda. By 1981, Monique Begin acknowledged that block-funding "was a mistake that will not be revived."¹¹⁸

E. The Alberta Responses to the Federal Proposals

Because of the existence of a relatively consolidated approach as portrayed publicly and to the federal government, one may speak of an approach of Alberta *writ large* with regards to the cost-sharing of social services and cost-sharing in general. Clearly, Alberta was publicly opposed in principle to expanding existing programs or instituting new shared-cost programs.

In its first annual report, FIGA denounced cost-sharing as distorting provincial priorities and constituting an unwarranted federal intrusion into areas of provincial jurisdiction:

Though the federal government has continually argued that its initiation of shared-cost programs remains consistent with its concern for the "national interest", provincial governments have expressed reservations about the concept of conditional grants on a number of occasions. Provinces have argued that 'shared-cost' programs have often been introduced without appropriate prior consultation between the federal government and the provinces. It has also been suggested that the sudden introduction of such programs forces provincial governments to make changes in their existing policy priorities. Once priorities have been altered to accommodate a shared-cost program the potential withdrawal of federal funding remains a possibility. Thus, shared-cost programs are important in their effects upon both the normal processes of priority setting and budgetary control. To this extent they may erode provincial autonomy.¹¹⁹

From the outset of the Social Services Review, the Chief Deputy Minister(CDM) of DSSCH unequivocally stated that Alberta preferred the unconditional transfer of tax points to matching grants.¹²⁰ Alberta was to publicly maintain this policy position for the

¹¹⁸ L. Shifrin, Editorial, *Edmonton Journal*, 14 Jan. 1981.

¹¹⁹ Alberta Federal and Intergovernmental Affairs, *Annual Report, 1974/75*, 15. Similar diatribes against conditional cost-sharing were included in virtually every FIGA annual report since the initial 1974-75 report. In *Harmony in Diversity*, a Government of Alberta position paper on constitutional amendments issued in 1978, the Government of Alberta called for constitutional limits to be placed on the federal spending power in order to limit the negative effects of conditional cost-sharing programs. Government of Alberta, 13.

¹²⁰ Splane, 7.

entire period of efforts to reform the funding arrangements for social services. However, despite a stated preference for the transfer of tax points: "Alberta...approached the whole exercise very cautiously and was content to let other provinces battle it out with each other and with federal officials, since Alberta had made good use of CAP funding." ¹²¹ Chapin argues that "[D]uring most of the SSR the Alberta Government played a "wait and see" role." ¹²²

Despite a preference for unconditional funding, by the end of the negotiations in 1975, the federal SSA proposal to expand cost-sharing had the agreement of Alberta as conveyed through the Alberta minister Helen Hunley. Alberta apparently viewed the SSA as an acceptable alternative to CAP and a partial movement in the direction of more flexible arrangements. However, it was not Alberta's preferred choice and it appears that "...the richer provinces such as Alberta and Ontario had made concessions and agreed to cost-sharing." ¹²³ M. Kelly notes that "[t]here can be no question that the new approach represented a retreat from the favoured federal position." ¹²⁴ However, over the following two years the support of other provinces for the scheme was breaking down and negotiations were becoming increasingly difficult. Alberta tended to side with those provinces demanding a transfer of tax points rather than matching grants. Chapin notes that "[w]hile Alberta did lay low throughout the negotiations, it joined with Ontario in favour of greater federal revenue sharing when it was clear that no agreement was to be reached." ¹²⁵ This concurs with Richard Splane's assertion that Alberta, prior to the federal withdrawal of the SSA, was also on the verge of changing its position and was about to refuse to enter into the matching cost-sharing arrangements. ¹²⁶ The Alberta government never hid its true policy objectives from the federal government. At the same time that Alberta signalled its final agreement to the SSA proposal, it clearly reiterated to the federal government its preference for unconditional transfers. Arguing

¹²¹ H. Chapin, "Citizen Involvement in Policy Making," *Issues in Canadian Social Policy*, vol.1 (Ottawa: Canadian Council on Social Development, 1982), 118.

¹²² *Ibid.*, 124.

¹²³ "Social Services Battle Has Alberta in Quandary," *Edmonton Journal*, 23 Sept. 1977.

¹²⁴ Kelly, 373.

¹²⁵ *Ibid.* "Revenue sharing" apparently refers to percentage sharing of collected federal taxes -- essentially the transfer of tax points.

¹²⁶ Splane, 8.

that cost-sharing was an inappropriate basis for federal contributions. Helen Hunley stated in a letter to Marc Lalonde that

We generally accept this assumption, and would prefer the Established Program Proposal as the basis for the federal contribution for *a//* health and social services. [Italics added.] ¹²⁷

After the SSFA proposal was announced in September 1977, Hunley, in her capacity as the Alberta representative, originally objected publicly with all the other provinces to the change. Alberta opposed the proposal on various grounds. Hunley argued that the new funding scheme would fiscally hurt the poorer provinces although she continued to support a transfer of tax points which would even be more fiscally disastrous for poorer provinces. ¹²⁸ Hunley also initially opposed the proposal on the grounds that the conditions the provinces were required to meet were "excessive". ¹²⁹ Considering the conditions attached to the block-funding arrangements, it might appear that conditions could hardly be less restrictive. However, viewed in context, Hunley's complaints about the restrictiveness of conditions were plausible. The conditions certainly were less onerous than the restrictions associated with the CAP scheme; however, Alberta officials did not feel that the conditions were in keeping with the spirit of a block-funding arrangement:

In the process of changing from a cost-sharing to a block funding approach to the financing of social services, the federal government appears to have, in many cases, simply adopted the conditions of cost-sharing for block funding. In view of the basic philosophical differences between the two

¹²⁷ H. Hunley, Min. DSSCH, to M. Lalonde, Min. HWC, 16 Sept. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹²⁸ "Alberta Joins Funding Fight," *Calgary Albertan*, 23 Sept. 1977. This is a particularly problematic position considering that tax point transfers are even less equitable than block-funding because the value of tax points is lower in the poorer provinces at the same time that social service spending in those regions tends to be considerably higher. L. Shifrin, "Block-Funding Approach to Social Services Should Expire," *Calgary Herald*, 7 Dec. 1978. For example, during the period under question, the per capita yield of one point of corporate tax was \$2.97 in P.E.I. (or 35% of the national average) compared to \$15.19 in Alberta (or 79% above the national average.) Obviously, this is a huge discrepancy which would continue to exist to a significant extent even if provinces below the national average in cash equivalent for tax points were boosted to the national average (as, for example, in the EPF formula.) G.E. Carter, "Financing Health and Post-Secondary Education: A New and Complex Fiscal Arrangement," in *Federalism in Canada: Selected Readings*, ed. G. Stevenson (Toronto: McClelland and Stewart, 1989) 449.

¹²⁹ Splane, 9.

means of financing, this "adoption" is not always appropriate. Block funding implies the supremacy of provincial programming priorities over federal priorities; it is therefore inconsistent for the federal government to require that information be supplied to conform to federal program categories, or for regulations to prescribe programming in elaborate detail. Note also that the provinces were promised "broad and general" regulations; the thick document called Annex 1, Proposed Regulations under Social Services Block Financing, hardly fits this description.¹³⁰

Regarding the SSFA, FIGA noted in its annual report that "...all provinces were concerned about this abrupt change in direction" and all provinces had "criticized the lack of consultation and negotiation prior to the federal announcement."¹³¹

Despite Alberta's initial negative reaction to the federal proposal, the angry federal reaction to the provincial ministers' communique of September 1977 caused a swift retreat by those provinces supporting block-funding. Regardless of the rhetoric of the Minister of DSSCH, less than two weeks after the provincial ministers objected to the SSFA, a letter was sent to the federal minister stating that "[i]n broad and general terms Alberta would support the proposal."¹³² DSSCH repeatedly maintained that it had supported the block-funding proposal since its original announcement.¹³³ Even after the federal announcement of the \$132 million in funding cuts in December 1977, the Alberta minister stated that, although she was "disappointed" by the federal cuts, she was still willing and hopeful to continue discussing the block-funding proposal.¹³⁴

¹³⁰ "Alberta Position on Social Services Funding," DSSCH Briefing Book, n.d. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. [Emphasis in original.] Hunley expressed this same sentiment to her federal counterpart in a 1978 letter: "Alberta favours regulations that do little more than give a general description of the services funded. When our officials meet to review the regulations already proposed, and to work out those not yet discussed, their goal should be absolute simplicity. Anything else is not consistent with the provincial control epitomized by block funding." H. Hunley, Min. DSSCH, to M. Begin, Min. HWC, 13 July 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

¹³¹ Alberta Department of Federal and Intergovernmental Affairs, *Annual Report, 1978*, 8.

¹³² H. Hunley, Min. DSSCH, to M. Begin, Min. HWC, 3 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹³³ H. Hunley, Statement to Federal-Provincial Conference of Welfare Ministers, Mar. 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹³⁴ H. Hunley, Min. DSSCH, to M. Begin, Min. HWC, 22 Dec. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

Just prior to the introduction of the block-funding legislation in the federal parliament, Hunley stated in the provincial legislature that "...the agreement provided for an arrangement that was a significant improvement over the previous shared-cost arrangement."¹³⁵ She went on to further assert that "...it means that we are masters in our own house when it comes to the design of the programs..."¹³⁶ The minister also stated that "Alberta will benefit in a rather dramatic fashion" from the agreement on block-funding and she emphasized an increase of 75% in federal funding to the province from \$33 million in the base year 1977-78 to \$56.6 million by 1979-80. She stated that "...Alberta's share will jump after the base year while some other provinces may decrease because Alberta has not been fully participating in federal-provincial cost-sharing."¹³⁷ However, Hunley still maintained the SSFA was a second-choice and that the province would have preferred an unconditional transfer of tax points.¹³⁸ After the federal announcement of the death of the block-funding scheme, Hunley announced that she was disappointed that the move to block-funding had been abandoned.¹³⁹

¹³⁵ Government of Alberta, *Alberta Hansard*, 8 Mar. 1978, 82.

¹³⁶ *Ibid.*

¹³⁷ "Funding Boost for Services," *Edmonton Journal*, 9 March 1978.

¹³⁸ *Ibid.*

¹³⁹ "Hunley Still Disappointed by Federal Spending Cuts," *Calgary Herald*, 13 Dec. 1978.

A. TABLE 1: Chronology of Alberta Positions on Proposed Reforms to Funding Arrangements for Social Services

DATES	PROPOSAL	ALBERTA'S POSITION
1973	BEGINNING OF SSR	PREFERENCE FOR TAX POINTS AS CONVEYED BY DSSCH
APR. 1975	SSA	AGREEMENT TO SSA IN PRINCIPLE AS CONVEYED BY DSSCH
FEB. 1976	SSA	AGREEMENT TO DETAILED AGREEMENT AS CONVEYED BY DSSCH TO HWC
SEPT. 1976	SSA	AGREEMENT TO SSA BY ALBERTA GOVERNMENT WITH CABINET APPROVAL
SEPT. 1977	SSFA ANNOUNCED	NEGATIVE REACTION TO BLOCK-FUNDING AS DISPLAYED PUBLICLY BY DSSCH

OCT. 1977 SSFA

AGREEMENT TO SSFA IN
PRINCIPLE AS CONVEYED
BY DSSCH IN PRIVATE
CORRESPONDENCE

MAR. 1978 SSFA

FINALIZED AGREEMENT
REACHED BY MAJORITY
OF PROVINCES WITH
ALBERTA'S APPROVAL

NOV. 1978 FEDERAL
 WITHDRAWAL
 OF SSFA

DSSCH MINISTER
PUBLICLY EXPRESSES
DISAPPOINTMENT

III. DEPARTMENTAL POSITIONS REGARDING THE SUGGESTED REFORMS OF SOCIAL SERVICE FUNDING

This chapter will provide an account of the policy positions of the relevant departments -- DSSCH, FIGA, and Treasury -- on the reform of CAP's social services provisions. The departmental policy positions revealed through this "inside story" demonstrate the limited applicability of the literature on cost-sharing in this case. The most significant divergences from the expectations generated by the cost-sharing literature were DSSCH's support for the SSFA and FIGA's support for the SSA. This chapter examines how these departmental positions might be explained using the conventional cost-sharing interpretation and will draw on authors that have proposed such conventional explanations. The weaknesses of such explanations will then be highlighted.

Conventional interpretations of departmental positions regarding cost-sharing lead to the expectation of conflicting departmental interests with the line department supporting matching grants and central agencies supporting non-matching grants. Accordingly, Alberta's support for the SSA and SSFA could be explained in terms of one set of interests dominating others. However, an alternative approach to explaining Alberta's position is that there was a similarity of departmental positions on the issue that was the result of convergent departmental interests and was not due to subordination of one set of departmental interests to another. It may be argued -- contrary to the expectations generated by the cost-sharing literature -- that throughout the duration of the negotiations, DSSCH willingly supported a move to block-funding and/or the transfer of tax funds over the maintenance of 50-50 cost-sharing. This was congruent with the policy objectives of both FIGA and Treasury. Contrary to the literature regarding FIGA's dominance of Alberta's intergovernmental policy, Alberta's policy position in this instance was not imposed through a hierarchical interdepartmental relationship. Rather than revealing a picture of line department/central agency conflict, an examination of the departmental interests and positions regarding the issue of funding of social services demonstrates the adoption of a policy position which served the various departmental interests.

A. Optimal Departmental Policy Objectives

The departments maintained optimal policy objectives that were static throughout the course of the negotiations.¹⁴⁰ There was a congruence in these optimal policy objectives with all three departments ultimately favouring the unconditional transfer of tax points. While FIGA and Treasury's optimal policy objectives can be explained using the standard cost-sharing interpretation, DSSCH's optimal policy objective clearly contradicts the cost-sharing literature.

At the beginning of the Social Services Review, the Deputy Minister of DSSCH stated to the Review that Alberta preferred the transfer of tax points to matching cost-sharing.¹⁴¹ DSSCH held this position for the duration of the negotiations. These public statements are corroborated by the content and tone of intradepartmental, interdepartmental, and intergovernmental correspondence which demonstrate that DSSCH -- on its own accord and as a result of its own departmental interests -- preferred non-matching arrangements to matching grants. In an internal position paper prepared during negotiations over the SSA, DSSCH officials wrote, "Alberta has maintained the stance that tax points or block funding is preferable to cost-sharing in recent years. This position is valid in the social services areas as well."¹⁴²

¹⁴⁰ The optimal policy objective of each department as used in this thesis refers to the policy that each department would choose if, holding intragovernmental factors and constraints constant, the department faced no constraints in securing with the federal government whatever agreement of the reasonable alternatives (i.e. cost-sharing, block-funding, tax points) that it wished. This is as opposed to a department's positions on specific proposals where a variety of constraints posed by multilateral federal-provincial negotiations must be taken into account. An example that will be elaborated upon later is that given the existing intragovernmental situation (that matching grants did not significantly improve social services funding), DSSCH officials would prefer to reach an agreement with the federal government for the transfer of tax points. This was the DSSCH optimal policy objective. However, because the federal government would not agree to such a concession, DSSCH accepted the SSFA -- a sub-optimal policy preference.

¹⁴¹ Splane, 7.

¹⁴² DSSCH Briefing Notes re: SSA, n.d. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. Despite the fact that this briefing paper has no date, it was written prior to agreement of the SSA (i.e. prior to February 1976), and the reference to Alberta's policy preference "in recent years" suggests the time period to which the brief note is referring.

The optimal policy preference of the two central agents was the transfer of tax points and was in accordance with the standard cost-sharing interpretations. FIGA's animosity towards cost-sharing certainly appeared intense. FIGA missed few opportunities to criticize cost-sharing programs and to highlight the fact that such programs constituted unwarranted intrusions into provincial jurisdiction. Certainly the yearly railings against cost-sharing in FIGA's annual reports appear to be the quintessential affirmation of the position the cost-sharing literature would expect FIGA to take.¹⁴³ The corollary of FIGA's abhorrence of conditional cost-sharing was a preference for unconditional transfers -- preferably the transfer of tax points. This position was shared by Treasury:

...Treasury and FIGA officials have similar policy preferences and objectives because they are in basic agreement that tax points or unconditional grants expand financial security and enlarge provincial autonomy and, thus, are preferable to cost-sharing arrangements."¹⁴⁴

B. Departmental Positions Regarding the SSA

Despite DSSCH's stated preference for unconditional transfers, by early 1975, DSSCH had agreed in principle to the SSA and by February 1976 had consented to a firm and detailed agreement pending cabinet approval. The final meeting of the Social Services Review was to take place between ministers responsible for social services on June 1-2, 1976 at which time the proposals emerging from the Review were to be given final consideration. As such, DSSCH submitted a Request for Decision (RFD) to gain formal approval for the SSA agreement.¹⁴⁵ DSSCH support for the SSA appears consonant with the conventional interpretations regarding departmental positions on cost-sharing.¹⁴⁶ Proponents of the standard interpretations presented in the cost-sharing literature would argue that since the SSA expanded cost-sharing, it would be supported by social service officials. Richard Splane notes that Hunley's agreement to the SSA "deserves comment" as "[h]er agreement to a new federal-provincial programme using this approach [matching cost-sharing] seemed to run counter to the Government of

¹⁴³ See p. 30 for a good example of FIGA's position.

¹⁴⁴ Woolstencroft, "Intergovernmental Emissaries," 105.

¹⁴⁵ Request for Decision re:SSA, 4 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

¹⁴⁶ See conventional arguments pp.45-46.

Alberta's stated opposition to shared-cost programmes." ¹⁴⁷ Splane suggests the conventional explanation:

Because Ministers enjoy increased power in provincial priority-setting, if a program is funded on a shared-cost basis, they normally favour that approach -- often in spite of the strong opposition of ministers of the treasury or other control agencies. This may have been true of Miss Hunley's position in 1975... ¹⁴⁸

Similarly, Woolstencroft attributes the standard line department motives to DSSCH officials and argues that welfare officials in the Alberta government "...believed that cost-sharing provisions would be effective tools to shelter or insulate their programs from the internal priority process and vigorous financial probes of the central officials of the Alberta government." ¹⁴⁹ Certainly, this provides a possible explanation for DSSCH's acceptance of the SSA proposal.

However, DSSCH's support for the SSA initiative does not signify a DSSCH preference for matching cost-sharing as an end in itself. Rather, the SSA was perceived by DSSCH as an incremental improvement on the cost-sharing status quo especially in terms of relaxed conditions. In a RFD, DSSCH officials noted that "[p]rogram content is flexible within extremely broad parameters, much broader than under the Canada Assistance Plan..." ¹⁵⁰ The Minister of Social Services stated that "[t]he proposals, if accepted, would give us a great deal of flexibility, would give us cost-sharing on social services not cost-shared, and would not force the province to make any program changes." ¹⁵¹ Another important consideration was that provincial negotiators were constrained by the fact that provincial intransigence in negotiations risked the incursion of unilateral federal punishment. The choice was not between the SSA and the status quo but the SSA and a situation even less favourable to the province than CAP. A federal ultimatum demanding provincial acceptance of the SSA proposal was accompanied by a threat to terminate CAP at the end of the legal notice period. ¹⁵²

¹⁴⁷ Splane, 7.

¹⁴⁸ Ibid.

¹⁴⁹ Woolstencroft, "Intergovernmental Emissaries," 214.

¹⁵⁰ Request for Decision re: SSA with attached Discussion of Social Services Act and Regulations, 25 Aug. 1976, DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

¹⁵¹ H. Hunley, Min. DSSCH to L. Hyndman, Min. FIGA, 6 May 1976, DSSCH Ministerial Files, Provincial Archives of Alberta, 84.298/Box 64.

¹⁵² Hum, "The Working Poor," 37.

DSSCH officials argued that the final meeting in June would be a "take-it or leave-it situation" and it was believed that "negativism" on the part of the provinces would lead to a "definite capping of CAP." ¹⁵³ The SSA thus was not DSSCH's optimal policy preference but a satisficing option -- it was the best of the available alternatives.

Contrary to the expectations raised by the cost-sharing literature, FIGA demonstrated support for the SSA. Considering that Splane found DSSCH's agreement to the SSA surprising in light of FIGA's stated opposition to conditional cost-sharing, he would be astounded by FIGA's acceptance of the agreement. DSSCH evidently had FIGA's support and a memo to the Minister of FIGA written two days after the submission of the SSA RFD in May alluded to previous FIGA involvement: "Members of your staff have been involved in discussions on these subjects for some time, and will no doubt be able to brief you from your department's perspective." ¹⁵⁴ The request was briefly deferred by Cabinet. ¹⁵⁵ After the original deferment, Hyndman advised Hunley of the most appropriate way to resubmit the SSA RFD to Cabinet to ensure its passage. This advice included discussing the matter with the Provincial Treasurer after a July 1976 Finance Ministers Meeting to "...ascertain whether Merv [Provincial Treasurer Merv Leitch] or other departments or gov't as a whole need SSA as a lever re: other shared cost programs." ¹⁵⁶ The note advised that the RFD was to be brought back to Cabinet with an emphasis on FIGA's participation in developing Alberta's position on the agreement and with a check list outlining the pertinent fiscal, programmatic, and jurisdictional concerns attached. ¹⁵⁷ This memo appeared very confident that if FIGA's

¹⁵³ S. Mansbridge, CDM DSSCH to H. Hunley, Min. DSSCH, 14 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64. This concurs with FIGA's assessment. See Chpt. 4.

¹⁵⁴ H. Hunley, Min. DSSCH, to L. Hyndman, Min. FIGA, 6 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

¹⁵⁵ This was so that the decision could be delayed until after Premier Lougheed attended an upcoming FMC. H.B. Hobbes, DM Executive Council, to H. Hunley, Min. DSSCH, 28 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5. The Premier had previously indicated within the Alberta government his support for the SSA which is referred to in a letter from H. Hunley to the Premier himself. H. Hunley, Min. DSSCH, to P. Lougheed, Premier, 20 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

¹⁵⁶ L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, (handwritten note), n.d. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59.

¹⁵⁷ Ibid. The contents of this "shared-cost test" will be discussed in the

advice was heeded the submission would pass Cabinet.

The only sign of any interdepartmental conflict was a memo from the Deputy Provincial Treasurer (DPT) to the Provincial Treasurer suggesting that agreement to the SSA proposal be delayed:

While we were apprised in a general way about the new proposals earlier this year, the scope and complicated nature of the arrangements became evident to us about a month ago. Further analysis should be done before Alberta agrees in principle and we would recommend that Miss Hunley not be given authority to indicate agreement to cost-sharing for social services at the June meeting.¹⁵⁸

This may suggest a lack of cooperation between Treasury and DSSCH; however, it does not necessarily suggest a significant conflict in principle between differing policy objectives regarding the SSA. First of all, the memo also dealt with the ISS proposal.¹⁵⁹ Treasury opposed the ISS and may have viewed ISS/SSA as a package with opposition to one logically meaning opposition to the other. Secondly, suggesting a delay does not demonstrate that Treasury was advocating outright rejection of the proposal. Thirdly, while this was the recommendation of the DPT, there is no indication as to what extent this recommendation was supported by or acted on by the minister. Finally, Hyndman's recommendations to Hunley and confidence that the SSA would be approved by Merv Leitch (barring the use of it as a negotiating lever) suggests that he did not perceive a fundamental difference in policy objectives between DSSCH and Treasury.

Despite this minor delay, the RFD was resubmitted by DSSCH in late August 1976. The RFD was passed by Cabinet and the federal government was notified of provincial agreement to the SSA proposal in a letter from the DSSCH minister to the

¹⁵⁷(cont'd) following chapter.

¹⁵⁸ A.C. Collins, DPT, to M. Leitch, Prov. Treas., 18 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 88.647/Box 2.

¹⁵⁹ The SSA was intimately related to the another initiative, the Income Support/Supplementation(ISS) proposal. The SSA and ISS represented the two components of CAP -- social services and social assistance -- which were to come under new funding arrangements. Under the ISS, the federal government would cost-share 66.6% of income support funds going to people without employment which was previously being shared at 50%. In turn, the provinces had to agree to cost-share in a new income supplementation program for the working poor whose income left them below subsistence levels. The Alberta government did not support the ISS proposal. Attachment to Request for Decision, "Income Support/Supplementation -- Shared Cost Proposal," 4 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

federal minister.¹⁶⁰

C. Departmental Positions Regarding the SSFA

When the SSA negotiations finally collapsed and the federal proposal for block-funding was announced, DSSCH publicly opposed the federal SSFA proposal. This appeared to belie DSSCH's stated preference for block-funding over matching cost-sharing. The cost-sharing literature would suggest that since the SSFA proposal eliminated cost-sharing in favour of block-funding, social service officials would oppose it. Using this logic, Christopher Leman suggests regarding the SSFA that "[a]s a rule the provincial finance ministers supported the change, while departments that actually administered the services were ambivalent or opposed, because existing programs would lose the protection afforded by cost-sharing."¹⁶¹

However, this literature is challenged by DSSCH's subsequent reversal. Only two weeks after its initial opposition, DSSCH supported the SSFA in correspondence with the federal government. Splane explicitly recognizes that Hunley's support for the SSFA could not be explained using the conventional cost-sharing interpretation.¹⁶² This about-face can only be reconciled with the cost-sharing literature by suggesting that the DSSCH position had been subordinated to the policy position of a central agency. Woolstencroft's work emphasizing the dominance of FIGA in the making of Alberta's cost-sharing and intergovernmental policy suggests FIGA as the dominant central agency.

If central agency intervention and the imposition of a substantive policy position on the line department explains DSSCH's acceptance of block-funding, one might expect to find evidence of it in the period between when DSSCH publicly opposed the move to block-funding and when DSSCH accepted block-funding in correspondence with the federal government approximately two weeks later. However, direct central agency

¹⁶⁰ Request for Decision re:SSA, 26 Aug. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5. H. Hunley, Min. DSSCH, to M. Lalonde, Min. HWC, 17 Sept. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁶¹ Leman, 130.

¹⁶² Splane, 7.

intervention did not take place. Even before adopting a public position of opposition to the block-funding initiative, DSSCH forwarded a letter accepting block-funding in principle to FIGA and Treasury for review and solicited the "comments and suggestions" of both departments on the issue.¹⁶³ This occurred prior to any central agency involvement in the issue. In fact, due to a minor problem in communications, despite FIGA having received the letter, there was initial confusion as to whether DSSCH would accept or reject the proposal.¹⁶⁴ Even when FIGA mistakenly believed that DSSCH would reject the federal proposal, FIGA forwarded only mild recommendations to DSSCH on the issue, but in no way was coercion evident and no hierarchical directives were issued.¹⁶⁵ This certainly does not suggest that FIGA imposed its will on DSSCH. It simply appears that the initial negative reaction to the federal proposal was not substantive.

DSSCH's reaction may have been part of a negotiating strategy or perhaps it was simply a knee-jerk reaction to federal unilateralism. A newspaper editorial printed shortly after the unilateral change from the SSA to the SSFA recognizes the provincial animosity the change provoked:

...it is not surprising that the provincial social service ministers, after spending so long in Ottawa's wringer, were angry at Ottawa's sudden change in tactics and said so...[...]But how could Ottawa expect anything but anger from the social service ministers with who it had been toying for so long?¹⁶⁶

Regarding this editorial, DSSCH's CDM commented that "I could not have explained the situation any better."¹⁶⁷ Animosity was evident in the stridency of Hunley's initial public reaction to the block-funding proposal.

This initial reaction was not an accurate reflection of DSSCH's substantive policy stance. DSSCH's positive response as indicated in the October 3 letter to Begin was consonant with both FIGA and Treasury's policy objectives and met with FIGA and

¹⁶³ H. Hunley, Min. DSSCH, to L. Hyndman, Min. FIGA, and M. Leitch, Prov. Treas., 16 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁶⁴ L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 4 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁶⁵ Ibid.

¹⁶⁶ "Ottawa's Sudden Change," *Globe and Mail*, 18 Oct. 1977.

¹⁶⁷ S. Mansbridge, CDM DSSCH, to H. Hunley, Min. FIGA, 27 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

Treasury's full approval. ¹⁶⁸ FIGA's position on the proposal was unequivocal: "...we definitely feel block funding is preferable to any of the alternatives offered to us..." ¹⁶⁹ The same memo also states that "...Treasury is prepared to accept the block funding proposal..." ¹⁷⁰

D. Relations Between Departments

The nature of the interaction between the departments regarding the issue of funding for social services is consonant with what would be expected of departments which shared policy objectives. Interactions were cooperative and collegial rather than conflictual as the cost-sharing literature suggests. Regarding the literature concerning FIGA's dominance in shaping Alberta's approach to intergovernmental relations, the interaction between FIGA and DSSCH gave no indication of coercion or hierarchical domination by FIGA.

Rather than being an example of forced central agency intervention, DSSCH requested FIGA's aid and involvement in the social services negotiations -- for example, in determining what the federal strategy was in an apparent attempt to maximize DSSCH's negotiating ability vis-a-vis the federal government. ¹⁷¹ FIGA provided DSSCH with such services as analysing federal proposals upon DSSCH request, providing strategic advice regarding negotiations, and, for example, working closely with DSSCH officials in providing briefing material to the Premier in order to bring high level political leverage to bear upon the issue (on FIGA's strategic advice.) ¹⁷² FIGA officials also, on

¹⁶⁸ L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 6 Oct. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁶⁹ L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 13 Oct. 1977. DSSCH Ministerial Papers, 84.298/Box 64.

¹⁷⁰ Ibid.

¹⁷¹ An example is Hunley's soliciting FIGA's advice on Lalonde's block funding proposal and her prospective response. H. Hunley, Min. DSSCH, to L. Hyndman, Min. FIGA, 16 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁷² L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 8 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64. S. Mansbridge, DM DSSCH, to H. Hunley, Min. DSSCH, 27 Oct. 1977 with attached letter, H. Hunley to P. Loughheed, Premier, 27 Oct. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

occasion (such as with the SSA), instructed DSSCH on the most advantageous approach to use to pose policy alternatives to Treasury and Cabinet.¹⁷³ In turn, DSSCH kept FIGA briefed on developments and provided FIGA with briefing papers regarding the programmatic and financial impacts of different federal proposals.¹⁷⁴ DSSCH actively and wholeheartedly attempted to secure a move from cost-sharing to block-funding or tax abatement and it appears that DSSCH attempted to involve FIGA as closely and fully as possible in this process. There is no evidence to suggest that DSSCH's policy position was imposed by FIGA. Specifically regarding these negotiations, a former FIGA director stated unequivocally that the negotiations were not "run" by FIGA officials.¹⁷⁵ Even Woolstencroft notes regarding all three SSR initiatives that "...FIGA did not have a substantive role in forging Alberta's responses."¹⁷⁶ However, DSSCH's cooperation with FIGA does not appear to be born of deference to a hierarchical superior. For example, a former DM of FIGA noted that the CDM of DSSCH had a tendency to treat FIGA representatives as "errand boys."¹⁷⁷

While the evidence is much less substantial than in the case of relations between DSSCH and FIGA, it appears that Treasury and DSSCH worked reasonably closely together in regards to the social services negotiations. An example of this is DSSCH providing Treasury with a briefing paper on federal cutbacks which outlines the fiscal repercussions of the different methods which might be used by the federal government to effect the cutbacks and also provided advice and recommendations on how the government of Alberta should proceed.¹⁷⁸ DSSCH also solicited Treasury's advice and recommendations on certain issues such as the SSFA proposal.¹⁷⁹ It would seem that, as with FIGA, Treasury's role in the negotiations had little substantive impact on the

¹⁷³ An example of this regarding the SSA is detailed in Chapter 2.

¹⁷⁴ S. Mansbridge, CDM DSSCH, to J.P. Meekison, DM FIGA, 17 Oct. 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

¹⁷⁵ Interview with author, Victoria B.C., 16 Jan. 1991.

¹⁷⁶ Woolstencroft, "Intergovernmental Emissaries," 191,233. However, Woolstencroft does attempt to argue -- albeit unconvincingly -- that "[t]o a large extent, the welfare officials managed Alberta's participation in the review within the parameters of FIGA's overall framework."

¹⁷⁷ Interview with author, Edmonton AB, 19 Nov. 1991.

¹⁷⁸ H. Hunley, Min. DSSCH, to M. Leitch, 31 Oct. 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

¹⁷⁹ H. Hunley, Min. DSSCH, to M. Leitch, Prov. Treas., 16 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

positions of the government of Alberta as Treasury shared with both FIGA and DSSCH the policy objective of receiving an unconditional transfer of tax points for social services.

There also was significant cooperation between FIGA and Treasury. By mid-1975, FIGA and Treasury were "...moving toward an integrated policy planning structure for all cost-shared programmes..."¹⁸⁰ Initial plans for an interdepartmental committee regarding cost-sharing were developed between the Director of Research and Planning, FIGA and the Director of Fiscal Planning, Treasury. The idea of the committee was formally proposed by the Minister of FIGA to the Provincial Treasurer and it was suggested that the committee would be made up of representatives from FIGA and the Department of Treasury with FIGA chairing the committee.¹⁸¹ The Committee was struck soon after the initial correspondence with the structure of the Committee remaining virtually the same as that of the original FIGA proposal albeit with joint Treasury/FIGA chairmanship. The proposed purpose of the committee would be to "...ensure that the policy positions taken by provincial departments on various shared-cost programs are coordinated and consistent."¹⁸² The committee proposal made no provision for formal representation of any program departments as senior officials in both FIGA and Treasury felt "...that the Committee would better be able to take a global approach to the examination of shared-cost programmes and the development of a policy position if the Committee membership were limited to Federal and Intergovernmental Affairs and Treasury."¹⁸³ However, it was stressed that "[i]n its consideration of specific programs, however, the Committee would consult with the participating programme departments to determine their concerns and recommendations."¹⁸⁴ A FIGA annual report also noted that "[t]his committee worked closely with those provincial departments directly responsible for the administration of

¹⁸⁰ H. Millican, DM FIGA, to L. Hyndman, Min. FIGA, 11 Aug. 1975. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 187.

¹⁸¹ L. Hyndman, Min. FIGA, to M. Leitch, Prov. Treas., 11 Sept. 1975. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 187.

¹⁸² H. Millican, DM FIGA, to L. Hyndman, Min. FIGA, 11 Sept. 1975. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 187.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

major cost-sharing programs."¹⁸⁵ While the mandate of the Committee was to consider broadly the issue of cost-sharing, it had more immediate objectives including monitoring the CAP negotiations.¹⁸⁶

Unfortunately, primary research sources regarding this committee are rather scarce: references to the committee in the interdepartmental correspondence were brief and vague; agendas, minutes, correspondence, decision records, even membership lists of the committee were not found despite extensive archival research on this specific subject; and interview questioning did not elicit specific recollection of the committee's functioning.¹⁸⁷

E. Conclusion

The conventional cost-sharing interpretations suggest that line departments and central agencies would have had conflicting positions regarding cost-sharing. An examination of departmental positions regarding the SSA and SSFA demonstrates that this was not the case; rather, departments had similar positions regarding the different proposals. However, there was no indication that this consensus was forced. The following chapter will demonstrate why the interests of each department would naturally lead to an interdepartmental convergence of policy preferences regarding cost-sharing for social services.

¹⁸⁵ Alberta Federal and Intergovernmental Affairs, *Annual Report, 1975/76*, 17.

¹⁸⁶ H. Millican, DM FIGA, L. Hyndman, Min. FIGA, 11 Sept. 1975. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 187.

¹⁸⁷ Interviewees included the chairman of this committee. It is interesting to note that the *Reference Guide to Alberta Government Committees* which purports to list all departmental and interdepartmental committees from 1904 to 1982 contains no reference to this committee. K. Powell, *Reference Guide to Alberta Government Committees*, (Edmonton: Alberta Legislative Library, 1982).

IV. DEPARTMENTAL INTERESTS: EXPLAINING CONVERGING POLICY PREFERENCES

The literature on cost-sharing programs proposes that departments will have very specific policy objectives that arise out of the parochial interests of the department. Financial officials, concerned with their role as allocators of scarce resources, will have an interest in protecting provincial budgetary priority-setting from distortion. Intergovernmental relations officers with a concern for provincial jurisdictional integrity will oppose cost-sharing on the basis that budgetary distortions resulting from cost-sharing arrangements are an affront to provincial jurisdictional integrity. Program officials, as budget maximizers, will seek to protect their departmental budget from central scrutiny through the shielding provided by shared-cost programs. However, this is an overly simplistic manner in which to view the motivations of departments in determining their policy objectives. A more rigorous analysis will demonstrate that departmental policy objectives were predicated on a larger and more complex range of factors.

An examination of the fiscal, programmatic, and jurisdictional concerns regarding cost-sharing for social services as viewed by different actors within the government of Alberta demonstrates the complex range of factors that might be considered under each perspective and the importance of context in shaping the policy objectives prescribed by each perspective. The impacts of cost-sharing arrangements for social services were sufficiently complex that blanket assertions -- such as the assertion that cost-sharing compromises the interests of financial officials -- are simply insufficient. Because of the importance of context, specific cost-sharing arrangements must be examined individually and the different concerns (i.e. fiscal, programmatic, jurisdictional) considered in a issue-specific manner. In the case of social services, the optimal policy preferences dictated by each perspective were not contradictory as might be suggested by the more simplistic portrayal of departmental interests in the literature but, due to contextual factors, were virtually identical.

The importance of fiscal, programmatic, and jurisdictional considerations in policy-making regarding federal-provincial funding arrangements is clearly evident in the fact that these factors constituted the three elements of the cost-sharing test developed

in mid-1976 by FIGA.¹⁸⁸ This test appears to have originated in the office of the Director of Research and Planning, J. Peter Meekison. The use of the test would be required of all senior officials who negotiated or dealt with shared-cost programs and the policy also required the "...attachment of this test to all future requests for decision submitted to Cabinet that dealt with programs of a shared-cost nature."¹⁸⁹ Originally developed by a senior public servant, this test received political approval from Cabinet in June of 1976 -- effectively becoming Alberta's policy.¹⁹⁰

Rather than being a rigid rejection of conditional cost-sharing arrangements, the policy was surprisingly flexible and pragmatic:

Presumably we don't take the position that all shared-cost programs are bad and that we should try to drop out of all of them and totally go it alone (with our wealth) in Confederation. A flexible approach is preferable because joint federal-provincial programs vary widely in terms of length, amendment, and termination procedures, dollars involved and program objectives.¹⁹¹

The test endorsed an explicit consideration of the various fiscal, programmatic, and jurisdictional factors involved.¹⁹² These factors included the conditionality of the agreement and how restrictive it would be on program design/delivery, budgetary distortion, the provincial funds required, the stability of the agreement, the risk of unilateral federal changes, other provinces' responses, and several other factors. The factors considered by this cost-sharing test constitute the considerations examined in the remainder of this chapter.

It is important in considering these factors to recognize that there was a high incidence of federal unilateralism in the period under question both with regards to negotiations over funding arrangements for social services and in the federal government's administration of existing cost-sharing arrangements. A 1976 internal FIGA

¹⁸⁸ FIGA Background Paper on Shared-Cost Initiatives, 10 May 1976. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 16/Item 248. This test is described in detail in Appendix 1.

¹⁸⁹ Ibid.

¹⁹⁰ J.P. Meekison, ADM FIGA, to L. Hyndman, Min. FIGA, 1 April 1977. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Item 117a.

¹⁹¹ L. Hyndman, Min. FIGA, to P. Lougheed, Premier, and All Ministers, with attached "Cost-Shared Test," 23 June 1976. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59.

¹⁹² See Appendix 1 for the complete test.

background paper on cost-sharing policy notes:

...the current aggressiveness of the federal government in pursuing its goals. There appears to be a great tendency for unilateral action on the part of the federal government. Should this continue or increase, then the provinces may find themselves continually reacting to federal policy initiatives as opposed to being partners in policy development.¹⁹³

Early examples of federal unilateralism in regards to cost-sharing included federal Finance Minister John Turner's announcement in the 1975 budget address that cost-sharing for hospital insurance would be terminated following the mandatory five year notice period without any prior consultation with the provinces.¹⁹⁴ The federal government had also already announced the imposition of caps on post-secondary education and health and medical care.¹⁹⁵

The federal government also used its ability to move unilaterally as a high pressure tactic in negotiations over funding for social services. Threats from the federal government were evident throughout the negotiations regarding funding for social services. These threats included "capping CAP", the unilateral termination of CAP, and providing some programs as federal programs.¹⁹⁶ The pressure generated by the federal government's negotiating tactics appeared considerable.

Federal unilateralism had significant impacts on the fiscal, programmatic, and jurisdictional perspectives through which cost-sharing arrangements might be viewed and on the applicability of the standard interpretations about departmental interests in the cost-sharing literature. The theory about program departments' preference for cost-sharing makes the assumption that cost-sharing arrangements offer provincial departments some measure of program protection -- presumably from provincial central

¹⁹³ FIGA Background Paper on Shared Cost Initiatives, 10 May 1976. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 16/Item 248.

¹⁹⁴ L. Hyndman, Min. FIGA, to M. Leitch, Prov. Treas., 11 Sept. 1975. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 187.

¹⁹⁵ Carter, "Financing Health and Post-Secondary Education," 438. See also D.V. Smiley, *Canada in Question: Federalism in the '70's*, 2nd ed. (Toronto: McGraw-Hill Ryerson, 1976), 138.

¹⁹⁶ S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 14 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64. S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 28 Sept. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5. See also Hum, "The Working Poor," 37.

agencies. However, this implies that the arrangements must offer some stability to provincial program departments. This did not occur in the case of funding for social services. Rather, the order of the day was a general lack of stability and numerous flagrant examples of federal unilateralism. This created a situation in which cost-sharing came to be viewed by provincial officials as extremely tenuous. Due to the instability of cash grants, federal unilateralism diminished provincial preference for cash grants relative to tax point transfers. Federal unilateralism certainly had a jurisdictional aspect as unilateral federal changes to cost-sharing programs and unilateralism in negotiations within areas of provincial jurisdiction were anathema to the province's jurisdictional interests.

A. Fiscal Considerations Regarding Cost-Sharing Arrangements

The first part of this section will demonstrate that matching grants for social services did not significantly distort Alberta's budgetary priorities largely due to an emphasis by the Alberta government on social service spending, provincial resource wealth, and strong central control of the budgetary process. Thus, the standard cost-sharing interpretations are of limited applicability. The section will then demonstrate that, although matching grants were not distortional, several other fiscal considerations made unconditional transfers -- specifically, tax point transfers -- the optimal policy objective from a fiscal perspective.

One of the most common arguments in discussions of cost-sharing is that matching grants distort provincial budgetary priorities and constrain the ability of the provinces to autonomously determine their own spending priorities. However, matching conditional grants only distort provincial budgetary priorities to the extent that they induce the province to spend more provincial funds in a program area than the province otherwise would have.¹⁹⁷ Thus, Smiley argues that the distortional effects of matching

¹⁹⁷ This definition of budgetary distortion is presented by George E. Carter in *Conditional Grants Since World War II*: "While a larger supply of the aided program X should result, a stimulative effect, as defined here, will occur only when the supply of X purchased by the province increases by more than 50% of the total program costs (that is, the coefficient of price-elasticity for X must exceed 1.)" Carter, 8.

grants tend to be inversely related to provincial wealth:

In general, the impact of the conditional grant on the priority determining functions of the provinces is more pronounced in the poorer provinces than in the prosperous ones. When a shared-cost program is inaugurated the wealthier province is more likely to be performing the function, often at levels not significantly below those after federal participation.¹⁹⁸

Smiley recognizes that for prosperous provinces cost-sharing arrangements might only be marginally distortional and that "[i]n such situations at least part of the proceeds of the federal contribution constitute a windfall to provincial revenues for which the price paid in terms of restricted action is not high."¹⁹⁹ For the richer provinces (of which Alberta certainly was one), funds transferred under cost-sharing did not have a predominantly substitution effect but a significant income effect. That is to say that the funds transferred under cost-sharing did not cause those provinces to substitute funds away from other programs to programs that qualified for cost-sharing; rather, cost-sharing simply increased the overall income that the province had at its disposal to spend on all programs including programs *other than those which qualified for cost-sharing*. Anthony Careless argues that "[f]or the rich, shared-cost programs amounted to a subsidy for certain responsibilities, thereby leaving funds free for other projects."²⁰⁰ Further, should the distortional effects or program restrictions associated with the cost-sharing arrangement be sufficiently distasteful to a province, "...it may be more practical for wealthier provinces to choose to forego available federal contributions by declining to bring their practices into harmony with the conditions of federal financial support."²⁰¹ Thus, in this sense as well, cost-sharing arrangements have

¹⁹⁸ Smiley, *Conditional Grants and Canadian Federalism*, 45. See also Pollard, 18. J.C. Strick makes this argument with specific reference to welfare and social services using the example of Ontario: "There is no evidence of a substitution effect from other functions to welfare as a result of the conditional grants. In fact, given that certain minimum welfare services are practically essential, the impact of the grants has likely been in the form of an income effect in the sense that the province would have provided welfare services of the current level entirely from its own resources." J.C. Strick, "Conditional Grants and Provincial Government-Budgeting," *Canadian Public Administration* 14, no.2(Summer 1971), 233.

¹⁹⁹ Smiley, *Conditional Grants* 45. See also, Smiley, *Constitutional Adaptation*, 60.

²⁰⁰ Careless, 193.

²⁰¹ Smiley, *Conditional Grants*, 45. Regarding the arguments that conditional grants affect "have not" provinces more so than "have" provinces, see also McInnes, 27.

less distortional and restrictive impacts on richer provinces than on poorer ones.

Generally, Banting argues regarding CAP that "...there is little evidence that, overall, it has enabled provincial welfare officials to capture a larger share of the provincial expenditure pie."²⁰² There are several reasons why it might be expected that this would certainly be the case in Alberta: social services was a high spending priority in Alberta. Alberta's wealth enabled it to forego cost-sharing revenue if it wished, and strong central control of the budgetary process did not allow for program insulation through cost-sharing.

Firstly, social services was already a high priority on the government's agenda. Former Chief Deputy Minister(CDM) of DSSCH Stanley Mansbridge notes that "...the Premier of Alberta has defined the government's social strategy in simple and straightforward terms: to meet the demonstrated needs of Albertans with programs of at least as high a quality as are available elsewhere in Canada."²⁰³ This commitment suggests that the government of Alberta would have provided this level of services even in the absence of cost-sharing arrangements. A. Tupper and B. Doern note that Lougheed argued that the expansion of social programs would have taken place regardless of the province's fiscal situation *writ large* -- much less being dependent upon the availability of cost-sharing.²⁰⁴ Social programs were a "Conservative budgetary priority" and Tupper and Doern convincingly attribute this to a number of factors.²⁰⁵ First, there existed some genuine concern for the welfare of various groups not protected by the existing welfare net. Secondly, there was a desire on the part of the Conservatives to differentiate themselves from their Socred predecessors as more "modern and progressive" and to woo core groups of Socred supporters such as seniors. Thirdly, as a function of Lougheed's perception of his major challenge coming from the left, there was a desire to outflank the NDP on social issues. This high social spending approach appears to have presented little risk of negative popular political

²⁰² Banting, *The Welfare State*, 115.

²⁰³ S. Mansbridge, "On the Making of Social Policy in Alberta," *Canadian Public Administration* 21, no.3(Fall 1978): 312.

²⁰⁴ A.Tupper and B.G. Doern, "Alberta Budgeting in the Lougheed Era," in *Budgeting in the Provinces: Leadership and the Premiers* ed. A.M. Maslove (Toronto: Institute of Public Administration, 1989), 134.

²⁰⁵ *Ibid.*, 134-5.

fallout. Writing in 1977 on the political culture in Alberta, Roger Gibbins noted that:

...Albertans seem to be willing to endorse increased provincial government spending across a wide range of programmes. In short, there is little evidence to suggest that Albertans would like to rein in government spending and government expansion; quite the opposite appears to be the case.²⁰⁶

Not only were social programs a government priority but the government of Alberta was in an extraordinarily fortunate fiscal situation and had the revenues to provide extensive social programs at a level as high as was available elsewhere in Canada. Sky-rocketing world prices for oil following the OPEC crisis in 1973 provided the provincial government with huge revenues through resource royalties. Allan Tupper describes the mid-seventies as "...the heady years of fiscal surpluses which allowed successive Lougheed governments to maintain low taxes while presiding over a spectacular and obviously popular, expansion of provincial expenditures and services."

²⁰⁷ Rand Dyck asserts that "Lougheed...found it difficult to be too conservative with so much revenue at his disposal and many services which he introduced were exceptional."

²⁰⁸ Dyck also notes that in the mid-70's there was more money for services such as public housing, welfare, and services for the handicapped, and even in the late 1970's, there were large increases in public funding for social services, (especially for children and senior citizens.) ²⁰⁹ P.S. Kinkaide observes:

Incremental growth in service coverage, budget expenditures, and the overall size of Alberta's Department of Social Services and Community Health was apparent for all programmes throughout the 1970's.[...]Overall budget expenditures grew from approximately \$90 million per year in 1970/71 to \$475 million per year by 1979/80. The department's overall staff complement increased during this period from under 1,500 to 8,000.²¹⁰

Kinkaide also notes that during the the 1970's,

²⁰⁶ R. Gibbins, "Western Alienation and the Alberta Political Culture," in *Society and Politics in Alberta*, ed. C. Caldarola (Methuen: Toronto, 1979), 158.

²⁰⁷ A. Tupper, "The Rebirth of Politics," *NeWest Review* (May 1988): 9. See also M.L. McMillan and K.H. Norrie, "Province Building vs. A Rentier Society," *Canadian Public Policy* 6(Supplement 1980): 215.

²⁰⁸ Dyck, 493. In an interview with Tupper and Doern, Lougheed noted, "There is no question it was very hard to say no to a program when you had the Heritage Fund." Tupper and Doern, 126.

²⁰⁹ Ibid., 480-3.

²¹⁰ P.S. Kinkaide, "The Revitalization of Community Enterprise: The Alberta Case for Privatizing Social Services," in *Perspectives on Social Services and Social Issues*, ed. J.S. Ismael and R. J. Thomlinson (Ottawa: Canadian Council on Social Development, 1987), 20.

The province strengthened its social service infrastructure during this period of rapid economic growth and social development by almost doubling the number of District Offices across the province, thereby improving service access, particularly for those centres experiencing the most rapid growth."

²¹¹

The argument that cost-sharing programs were not significantly distortional is all the more credible considering the government was demonstrating a conscious policy of resistance to the distorting effects of cost-sharing. Several former senior officials noted that social programs, at the time in question, could not be "pitched" on the basis of the availability of 50 cent dollars.²¹² Provincial wealth allowed the government to enforce this policy. A former FIGA deputy minister argued that because of Alberta's affluence it could maintain a more principled stance than other provinces when it came to accepting cost-sharing. This official argued that due to Alberta's resource wealth, 50 cent dollars carried less weight in the 1970's in "pitching" programs than they probably do at present.²¹³ Richard Splane argues that the economic conditions that prevailed from 1974 through the rest of the decade allowed Alberta the latitude of "going it alone" if cost-sharing conditions were too stringent.²¹⁴ For example, regarding the SSA, a DSSCH brief states:

Alberta has maintained the stance that a province must first approve its programs locally. Cost-sharing is considered after programs are designed which meet the needs of our citizens. The Social Services Act, therefore, allows for expanded cost-sharing, not expanded services.²¹⁵

Thus, the SSA meant more federal funds to the province for provision of the same level of service.

Not only was Alberta in the fiscal position to forego cost-sharing funds and had a policy of doing so if conditions were deemed unacceptable, the budgetary process

²¹¹ Ibid., 21.

²¹² Interview with author, Edmonton AB, 19 Nov. 1990, and interview with author, Victoria B.C., 16 Jan. 1991. See also S. Mansbridge who notes that "There has been a firm Alberta rule in recent years that Alberta program policy decisions are made on the assessed merits of the program themselves, and not in terms of whether or not cost-sharing is available from Ottawa." Mansbridge, 314.

²¹³ Interview with author, Edmonton AB, 19 Nov. 1990.

²¹⁴ Splane, 11.

²¹⁵ DSSCH Briefing Notes re: SSA Negotiations, n.d., DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

included the administrative mechanisms to enforce this policy. Mansbridge notes the significance of the Planning and Priorities Committee which is probably the most important and influential committee in the Alberta government.²¹⁶ In striking the budget, there would be "...an intensive process of presentation and defence of their requests by ministers and senior officials before the Priorities and Planning Committee chaired by the Premier."²¹⁷ Mansbridge describes this committee's role in program evaluation:

Evaluation is not, of course, the exclusive concern of the individual department of government. The broad management responsibilities of government embrace an on-going involvement with the evaluation of policies and programs. In particular, the Planning and Priorities Committee of Cabinet assumes the chief responsibility for such evaluation and this committee of senior ministers makes particular use of the budget planning process to question and test the effectiveness of departmental policies and programs developed to implement those policies.²¹⁸

Mansbridge notes regarding meeting with Planning and Priorities that "[T]his is the crucial stage of the budgetary process, where the minister will argue the case for the program proposals..."²¹⁹

Prior to the presentation to Planning and Priorities, a review of departmental budgets was also done by Treasury Board which was chaired by the Provincial Treasurer but of which "...Lougheed was the de facto chairman."²²⁰ Lougheed took an active role on Treasury Board: "He would aggressively question departmental ministers and senior officials as each presented their expenditure plans."²²¹ The literature suggests that through Lougheed's involvement in the budgetary process he exercised significant political control over the bureaucracy and the programs it administered. Tupper and Doern note Lougheed's budgetary activism:

First, Lougheed's general activism was clearly evident in his approach to budget making. ...he viewed the provincial budget as a key element of his overall social and political strategy. As such, he was intimately involved in the determination of priorities, the forecasting of revenues, and frequently in the detailed analysis of departmental expenditures.²²²

²¹⁶ Mansbridge, 313.

²¹⁷ Tupper and Doern, 128. See also Government of Alberta, *Executive Council Office Listing of Standing Cabinet Committees, 1975*. Photocopy.

²¹⁸ Mansbridge, 321.

²¹⁹ Ibid., 317.

²²⁰ Tupper and Doern, 129.

²²¹ Ibid.

²²² Ibid., 127.

Cost-sharing did not constitute an effective mechanism for insulating programs from political and fiscal scrutiny. It appears from the earlier description of the budgetary process that budgetary scrutiny had become a fact of life for program officials. Considering the high level of central political control of the budgetary process, it is extremely unlikely that program departments could be shielded from central scrutiny and escape the policy of resistance to the distortions of cost-sharing.

The standard perception of program department affinity for matching cost-sharing is based on the logic of bureaucrats-as-budget-maximizers -- i.e. it is largely to increase or protect their share of the total budgetary pie that program departments display an affinity for 50-50 cost-sharing arrangements. S. Dion and A. Blais describe this model: "The bureaucrat, like any individual, attempts to maximize his personal utility. His utility is a positive function of the total budget of the bureau. Consequently, bureaucrats tilt the decision-making process toward policies that increase their budget."²²³ However, it appears that DSSCH officials either had no inclination or no scope to "tilt" the decision-making process towards increasing their departmental budget.

For example, in late 1977, the CDM of DSSCH proposed to a DM in a memo written immediately after the DSSCH appearance before the Priorities Committee:

I would suggest that our credibility, and probably more importantly, our survival, at next year's appearance before Priorities would be sorely prejudiced if our demands were once again on anything like the scale of last year and this year.

I suggest that our highest priority for the next twelve months is to tighten up the management of public assistance so as to make it as "lean and hungry" an operation as we possibly can." This proposal included the "...development of our work-fare proposal with the objective of removing from public assistance (hopefully to the jurisdiction of Advanced Education and Manpower) all those unemployed employables who are available for employment."²²⁴

²²³ S. Dion and A. Blais, "Are Bureaucrats Budget Maximizers: The Niskanen Model and Its Critiques," Paper presented at the 51st Annual Meeting of the Canadian Political Science Association, 1979, 2. See also C. Campbell and G.J. Szablowski, *The Superbureaucrats: Structure and Behaviour in Central Agencies*, (Toronto: MacMillan, 1979) esp. 13.

²²⁴ S. Mansbridge, CDM DSSCH, to D. Stolee, DM Social Services, DSSCH, 28 Nov. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

The targeted reductions were drastic:

"We should seek to be in a position to demonstrate that as a result of innovation, and of improved management, we would require 50% less in dollars and manpower than would otherwise have been justified by the data on growth and price increases."²²⁵

The Priorities Committee involvement in the budgetary process clearly was considered important by DSSCH senior officials and was a constraint upon DSSCH budgetary demands.

Though cost-sharing for social services may not have been significantly distortionary, other important fiscal considerations dictated against cost-sharing. One recognized defect of matching grants was that the federal government could use the stringency of conditions to limit its fiscal participation in the programs:

There are therefore two methods by which the federal government can control expenditures in provincial social service programs: through the general cost-sharing framework which established what will be shared and what will not, and through ongoing specific interpretations of the cost-sharing framework.²²⁶

Another method of restricting federal fiscal involvement was the removal of open-ended grants which was a federal contrivance to stabilize and/or reduce the level of federal commitment to the funding of services. Under open-ended matching grants, the risk of increasing program costs was fully shared between the federal and provincial treasuries and, should program costs rise unexpectedly, the province would only bear half of the increased costs. However, under closed grants (i.e. block-funding or capped matching grants), the province would be forced to bear all cost-increases above and beyond the escalator by which the federal contributions were to increase.

A static comparison of matching and non-matching grants is not, in itself, adequate for analysing the Alberta position regarding cost-sharing in the 1973-79 period. The positions of Alberta and of the individual departments were coloured to a significant extent by new developments in the cost-sharing field -- namely, the unilateral

²²⁵ Ibid.

²²⁶ G. Norquay, "Points for Discussion with the Honorable Marc Lalonde," DSSCH Position Paper re: Social Services, 29 Oct. 1975. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

federal withdrawal from open-ended cost-sharing through the imposition of caps on federal contributions under cost-sharing. Funding under CAP had remained uncapped; however, federal caps on cost-sharing had been imposed in the fields of post-secondary education and health and medical care.²²⁷ By 1976, it had become an accepted assumption in the government of Alberta that these precedents would be followed in other cost-sharing programs and signalled an end to open-ended cost-sharing. In an early 1976 memo to several ministers including the Minister of Social Services, the Minister of FIGA warned,

A tough, restrictive posture will probably be adopted by the federal government on all existing shared cost programs.[...]Permanent limits or reductions in federal expenditures in this area will likely be included.[...]Provinces will likely be confronted with a choice between one or more of a.) opting out; b.) bloc grants; c.)maximum federal ceilings.²²⁸

The FIGA "Background Paper on Shared Cost Initiatives" stated that these assumptions about the end of open-ended cost-sharing should direct provincial negotiating positions: "Federal policy will be influenced by the magnitude of the sums involved. Regardless of what mechanism is developed, some upper limit to federal transfers will be established."

²²⁹ DSSCH was basing its policy approach on just that assumption. In an early 1976 memo regarding the SSA negotiations, the CDM noted that "...one of the Federal government objectives throughout has been to terminate the 'open-endedness of CAP.'"

²³⁰ It was a general perception among FIGA, Treasury, and DSSCH that open-ended 50-50 cost-sharing had come to an end.

²²⁷ Federal contributions to post-secondary education were limited to an annual increase of 15% in the 1973-74 fiscal year and contributions to medicare were limited to 14.5% per cent per annum for the 1976-77 fiscal year. Carter, "Financing Health and Post-Secondary Education," 438.

²²⁸ L. Hyndman, Min. FIGA, to H. Hunley, Min. DSSCH, 23 Mar. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

²²⁹ Background Paper on Shared-Cost Initiatives, 10 May 1976. Prepared by Research and Planning, FIGA. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 13/Item 248. According to G. Carter, "Beyond question, the alarming growth in the magnitude of the sums involved largely explains the federal government's determination to end these open-ended grants if an acceptable fiscal substitute could be devised." G. Carter, "Financing Health and Post-Secondary Education," 436.

²³⁰ S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 14 May 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

DSSCH demonstrated unambiguous animosity towards the capping of matching grants. In a letter from Hunley to Marc Lalonde regarding cost-sharing, she argued: "[i]t would seem that if ceilings are deemed to be necessary, then it is a recognition by the federal government of cost-sharing being an inappropriate basis for the federal contribution."²³¹ In negotiations which took place immediately after the block-funding offer was withdrawn, "Mr. Mansbridge suggested that in view of these sorts of difficulties [the capping of social service contributions], Alberta would prefer block-funding..."²³²

Block-funding was subject to some of the same drawbacks as capped matching grants. An important fiscal consideration regarding close-ended funding was that should program cost grow at a rate above the escalator it would reduce the proportion of the costs for Alberta social services borne by the federal government and fully absolve the federal government of responsibility for short-term unanticipated increases. This was the perception of DSSCH regarding the movement to block-funding for social services:

Over the long term, however, because social services are expanding at a rate higher than inflation, it is expected that actual federal funding under the new bill will fall below 50% of provincial costs, and thus, payments will be lower than they would have been under CAP.²³³

The negative impact of close-ended grants (i.e. block-funding or capped cost-sharing) would have been especially significant in the case of social services especially in the latter half of the 1970's when program costs were rising at significant rates.²³⁴ In addressing a meeting of ministers of social services in late 1978, Hunley

²³¹ H. Hunley, Min. DSSCH, to M. Lalonde, Min. HWC, 16 Sept. 1976. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

²³² Minutes of Working Meeting of Ministers of Social Services, 20 Nov. 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 62.

²³³ DSSCH Briefing Notes for an Interprovincial Meeting of Ministers of Social Services in the Yukon, 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. The threat to the provincial treasuries has been widely recognized: "It is thus evident that the scheme [grants/abatements tied to the GNP] offers the provinces no guarantee that the federal transfers will be adequate to cover mounting program costs. Indeed, the alarming rate of increase in the past five years [1966-1971] is reason enough for provincial reluctance to accept full responsibility for these programs." Carter, *Conditional Grants*, 101.

²³⁴ See Prince and Rice, 95.

estimated the growth rate for social services had "recently" approximated 29%.²³⁵ Expectations about rapidly rising program costs were based on trends which had been evident over a long period preceding the negotiations over funding for social services. These rates far outstripped the rate of growth of the GNP. Surely, a federal transfer closely linked to GNP would constitute a lowered proportional federal contribution.²³⁶

If, as Boadway suggests, capped matching funding was indistinguishable in its effects from non-matching grants²³⁷, capped matching funding becomes sub-optimal from a provincial point of view to non-matching grants if the conditions attendant with non-matching grants are less restrictive than the matching grant conditions. In these circumstances, capped matching funding would impose greater conditions and restrictions on provincial governments than block-funding while conferring no additional fiscal benefits. Thus, if, according to the consensus among departments, caps were inevitable, it is understandable that all the relevant actors would develop a policy preference for non-matching arrangements so long as the escalation factor for the non-matching grant met the percentage rate at which matching cost-sharing was capped.

Block-funding (i.e. non-matching cash grants like the SSFA or partial cash grants such as EPF) should not be expected to be more resistant to federal unilateralism than other funding arrangements. This is evidenced by the 1978 federal threat to unilaterally reduce EPF cash transfers by \$220 million. This is also very clearly indicated by the recent cuts to EPF. The 1991 Alberta Budget Address notes:

²³⁵ Minutes of a Working Meeting of Ministers of Social Services, 21,22 Nov. 1978. Province of Alberta, Provincial Archives, Department of Social Services and Community Health Ministerial Papers. 84.298/Box 62. The Nielsen Review of CAP noted that "[a]t the end of 1978, it was being predicted that the social service component of CAP would continue to grow at the rate of 20 per cent, its average over the previous six years.... Alberta [was forecasting] a 24 per cent rate..." Government of Canada, *A Study Team Report: Canada Assistance Plan*, 85.

²³⁶ Comparisons of rates such as the 29% quoted by Hunley and the annual percentage increase in GNP in the years immediately preceding 1978 (see Appendix 2) reveals a startling differential. For example, the rate of increase of the GNP from 1976 to 1977 was not quite 10%. If Hunley's figure was accurate, federal contributions to Alberta social service funding could have been reduced by nearly 20% in the first year.

²³⁷ R. Boadway, "Intergovernmental Transfers," in *Fiscal Federalism*, ed. M. Krasnick (Toronto: University of Toronto Press, 1985), 2.

Unfortunately, we cannot rely on the federal government to pay its fair share of major national programs.[...]A key element of the federal government's budget strategy is to offload its deficits onto the provinces. Federal cash payments to the provinces for health and post-secondary education have been unilaterally reduced. Within 15 years, federal cash support for health and higher education will have dwindled to nothing.²³⁸

However, a transfer of tax points is more stable from a provincial point of view than other funding arrangements. If the federal government tried to reoccupy the ceded tax room, the provinces would refuse to vacate that tax room and the attendant tax increase would appear to be the fault of the federal government.²³⁹ As tax transfers are essentially unconditional transfers with this added measure of protection, they appear to be a natural preference for a province in Alberta's position. Secondly, under just about any tax transfer arrangement, Alberta could expect to gain relative to other provinces due to the fact that the cash value of Alberta tax points was well above the national average. It was most likely that any transfer arrangement would level the cash value of tax points up to the national average for those provinces below the average (as in the EPF arrangements) while allowing the provinces enjoying a cash value of tax points above the national average to reap a windfall gain. This is an important factor considering that the per capita yield of one corporate tax point in Alberta was 79% above the national average.²⁴⁰ Thus, from virtually every fiscal angle, a transfer of tax points appeared to be the logical preference of the government of Alberta.

B. Programmatic Concerns Regarding Cost-Sharing Arrangements

One of the main programmatic concerns about shared funding arrangements is the conditions and restrictions on program design attendant with the different types of arrangements. The literature is ambiguous on the restrictiveness of the conditions associated with the different funding schemes and demands clarification. The conditions associated with CAP (and the SSA -- CAP's proposed replacement) were considerable and were clearly viewed as excessive by the government of Alberta.

²³⁸ Government of Alberta, *Alberta Budget Address, 1991*, (Edmonton, 1991), 27.

²³⁹ Carter, *Canadian Conditional Grants*, 103.

²⁴⁰ G.E. Carter, "Financing Health and Post-Secondary Education," 449.

CAP is often portrayed as a cost-sharing program with relatively few conditions.

²⁴¹ The five conditions applicable to eligible programs appear to be relatively minimal:

1. the province must provide assistance to any person in the province who is in need;
2. there must be no provincial residency requirement as a criterion of eligibility;
3. an appeal procedure must exist;
4. the province must "maintain accounts" regarding funds disbursed in the provision of social services and assistance; and
5. the province must make available all provincial legislation and regulation concerning the plan. ²⁴²

However, even these conditions may be significant impediments to certain provincially designed schemes. For example, there was a stated desire on the part of DSSCH to eliminate unemployed employables from the welfare and social service rolls. In this regard, DSSCH demonstrated a considerable interest in "work for wages" or workfare schemes. ²⁴³ However, the federal department had clearly announced its unequivocal opposition to "work for welfare" schemes which it viewed as unacceptable as such schemes were in contradiction with one of the basic conditions of CAP that the province must provide assistance to anyone in the province who is in need. ²⁴⁴ CAP was yet even more restrictive than these five conditions suggest.

In examining the stringency of the conditions associated with CAP, it is important to consider the actual administrative mechanics of the cost-sharing arrangement. The Plan is composed of four administrative components:

1. the basic statute law giving the federal government authority to cost-share;
2. further regulations drawn up under the statute and passed by federal order-in-council "...so as to define more precisely certain aspects of the statute." ;
3. general agreements signed between federal and provincial governments;

²⁴¹ Banting, *The Welfare State*, 212.

²⁴² Moscovich, 275 and Banting, *The Welfare State* 96.

²⁴³ DSSCH Departmental Notes for Presentation to Priorities Committee for 1978 Budget, n.d., DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

²⁴⁴ Notes for Meeting of the Federal and Provincial Ministers of Welfare, Ottawa, June 1-2, 1976, DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5.

4. Health and Welfare Canada occasionally issues 'guidelines' to establish exact maxima on what is cost-shareable in terms of dollar amounts and specific criteria.

245

Depictions of CAP as having relatively few conditions appear to consider only the basic statute law under which CAP operates and not the remainder of the administrative components. The eligibility requirements under the non-statutory components make CAP considerably more restrictive than it may appear from an examination of the statutory requirements. M. Kelly notes that provincial dissatisfaction with CAP was "...notably with respect to the interpretations of the CAP regulations."²⁴⁶ A similar argument is made by Linda Trimble who notes that whether the conditions of CAP can be viewed as lax or restrictive depends on perspective -- whether a program is eligible for sharing or not.²⁴⁷ Provincial perception of the stringency of CAP eligibility requirements is evidenced in a set of briefing notes prepared by DSSCH officials:

[The federal government] does try to influence social policy... by means of its taxation and financial power. The primary method of control is cost-sharing programs, by which the federal government reimburses the provincial governments 50% of all eligible expenditures on financial assistance programs (social allowance) and welfare services programs (child welfare, preventative social services, rehabilitation, institutions). [...] The key to the problem in this area is that expenditures must be "eligible", and a wealth of federal regulations and guidelines have grown up over the years to determine what is eligible.²⁴⁸

Alberta escaped some restrictions by providing services outside the purview of CAP. This demonstrates that some of these conditions were considered by the Alberta government to be unacceptably restrictive. A Request for Decision to Cabinet (RFD) submitted by DSSCH regarding social services notes that "[a] number of restrictive conditions have resulted in the province forfeiting some cost-sharing to provide services that are more appropriate to the needs of Albertans."²⁴⁹ Federal conditions

²⁴⁵ Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, *Fiscal Federalism in Canada*, 153.

²⁴⁶ Kelly, 367.

²⁴⁷ L. Trimble, "The Meech Lake Accord and the Future of the Welfare State," *Constitutional Forum* 2, no.2 (Winter 1991): 32. See also, Smiley, *Constitutional Adaptation*, 60.

²⁴⁸ Government of Alberta Briefing Notes for Conference of Ministers Responsible for Social Services, n.d., DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁴⁹ Request for Decision, re: SSA, 4 May 1976, DSSCH Ministerial Papers.

were a significant consideration in Alberta's decision to provide day-care services outside of cost-sharing arrangements and forfeit millions of dollars per year because Alberta utilized for-profit agencies which were not allowed under CAP.²⁵⁰ Another example of this is the provision of nursing home care for which all other provinces received cost-sharing funds. Alberta was unwilling to provide subsidies based on "need" as required by CAP and provided subsidies for nursing home patients regardless of whether they qualified under the CAP definition of "needy". As such, the province lost cost-sharing revenues.²⁵¹

There were numerous ways in which federal conditions could restrict provincial program design. An example of this is noted in a DSSCH departmental paper:

Federal cost-sharing criteria specify the design of fee schedules and income tests for programs for which clients pay some portion of the cost: e.g. daycare, home support. By pre-determining at what income level persons start to pay for a service, and how much of their disposable income must pay for it, the federal government is effectively telling the province what population group is going to benefit from the service. Federal guidelines can open the program out more than is desired by the province (as in the case of Alberta day care), or be more restrictive than the province wants to be.²⁵²

Although the SSA was supposedly more flexible and had less onerous conditions than CAP, the conditions were still perceived by social service officials to be excessive. For example, the minister expressed concern with regards to the conditions and regulations associated with the new SSA arrangements:

I and my officials are most concerned as to the form that the regulations will take. Already there are indications... that there will be "hookers" in the arrangements which will either tend to force special organizational arrangements upon the provinces or may forbid provinces from taking advantage of program areas.²⁵³

²⁴⁹(cont'd) Provincial Archives of Alberta, 84.298/Box 5.

²⁵⁰ J.P. Hornick, R.J. Thomlinson, and L. Nesbitt, "Alberta," in *Privatization and Provincial Social Services in Canada: Policy, Administration, and Service Delivery*, ed. J.S. Ismael and Y. Vaillancourt (Edmonton: University of Alberta Press, 1988), 49.

²⁵¹ DSSCH Briefing Book for Meeting of Federal and Provincial Ministers of Welfare, "Notes on Cost-Sharing of Nursing Home Costs," Feb. 1974. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 62.

²⁵² Government of Alberta Briefing Notes for Conference of Ministers Responsible for Social Services, n.d., DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁵³ Helen Hunley, Min. DSSCH, to M.L.M. Alexander M.P., 30 June 77. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. The minister uses the example of family planning programs which could not be offered

Another concern regarded the rationality of conditions. In correspondence specifically regarding the SSA, the Minister of DSSCH expressed concern that the federal government would use irrational conditions and interpretations of eligibility in an attempt to restrict the magnitude of the transfers:

...if the federal government is determined to penny-pinch in these important programs by exercising a strict cost control of the funds to be made available annually, and if this penny-pinching is to be facilitated by irrational regulations, then I would argue for a different approach [than conditional cost-sharing.] ²⁵⁴

Related programmatic concerns are the administrative inefficiencies of cost-sharing. Administrative concerns do not appear to be adequately considered in the literature on cost-sharing. Despite all the supposed benefits of cost-sharing for program officials, it must be remembered that conditional cost-sharing was an immense administrative headache. DSSCH perceived considerable administrative inefficiencies attendant with both CAP and the SSA cost-sharing arrangements:

The administrative complexity of CAP...[has] always been of concern to the provinces, and we are concerned that the proposal [SSA] does not appear to solve this problem. From what we have seen of the federal proposal, administrative problems may even be heightened. ²⁵⁵

Central agents -- regardless of concerns about federal intrusions and program insulation -- also could be expected to abhor the administrative difficulties attendant with cost-sharing. Officials, whether in a social service department or in a central agency, are professional administrators and undoubtedly share some professional concern with administrative considerations such as efficiency. Treasury showed significant concern with the administrative considerations associated with the different funding arrangements. In an intradepartmental memo, the DPT noted: "Our main concern with the proposed Social Services Act is that it is very complicated administratively." ²⁵⁶ This concurs with a brief prepared for the Provincial Treasurer by the DPT which argues that

²⁵³(cont'd) through local health units and still qualify for federal funding.

²⁵⁴ H. Hunley, Min. DSSCH, to M.L.M. Alexander, M.P., 30 June 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁵⁵ G. Norquay, "Points for Discussion with the Honorable Marc Lalonde," re: Social Services, DSSCH Briefing Paper, 29 Oct. 1975. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁵⁶ A.C. Collins, DPT, to M. Leitch, Prov. Treas., 20 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 64.

the reduced administrative complexity of block-funding in comparison to cost-sharing was one of the most important advantages of the block-funding proposal.²⁵⁷

Administrative and programmatic concerns were heightened by federal unilateralism and the instability of funding arrangements. A DSSCH departmental paper notes the extreme insecurity of the cost-sharing arrangements: "Particularly during the social security review...and Social Services Act (SSA -- now cancelled) negotiations, there was a great deal of insecurity. Planned funding arrangements were changed at least every six months, with a consequent inability to plan"²⁵⁸ It was this type of provincial concern with federal unilateralism and instability that led the provinces to express "considerable concern" with regards to the SSA proposals and collectively demand that "[f]ederal cost-sharing for social services should be secure for at least five years; and that the provinces should be formally involved by the federal government in the amendment of the Act and Regulations and their interpretation."²⁵⁹ Regarding the federal government's ability under the SSA to terminate the agreement after three years giving one year notice, a DSSCH position paper notes that "We [DSSCH] must have some security in this area if we are to fulfill our obligations to plan for the orderly development of social services."²⁶⁰

The record of federal unilateralism which was evident in the federal approach to negotiations had also been evident in the federal government's administration of the existing cost-shared agreement. A DSSCH discussion paper noted that the amendment of CAP "...has been an area of continuing concern to the provinces. ...CAP...[has] tended to be amended by the federal authority with minimal consultation with the provinces."²⁶¹ The non-statutory restrictions associated with CAP were not static but were constantly

²⁵⁷ M. Leitch, Prov. Treas., to H. Hunley, Min. DSSCH, 21 Sept. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.2987/Box 64.

²⁵⁸ DSSCH "Alberta Briefing Notes for Conference of Ministers Responsible for Social Services," n.d., DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁵⁹ G. Norquay, "Points for Discussion with the Honorable Marc Lalonde," DSSCH Briefing Notes, 29 Oct. 1975. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

²⁶⁰ Ibid.

²⁶¹ G. Norquay, "Points for Discussion with the Honorable Marc Lalonde," re: Social Services, DSSCH Briefing Notes, 29 Oct. 1975. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25.

evolving and being reinterpreted. This exacerbated all the provincial programmatic concerns. Program restrictions could become significantly more onerous without requiring alteration of the legislative framework. This could be used to limit fiscal contributions. Administrative problems were heightened as the restrictions could be changed requiring new administrative arrangements and techniques, and programs that qualified for cost-sharing at one point in time may not at another point in time.

A DSSCH brief noted that "[b]lock funding is an attractive alternative to CAP because it should reduce federal influence over provincial programs and information requirements. It should also reduce administrative costs."²⁶² Yet, even the block funding arrangements such as SSFA had some minimal conditions and significant informational requirements with considerable administrative problems. The inimical relations between provincial and federal officials that could be bred as a result of federal program conditions are highlighted in a 1978 DSSCH internal memo regarding block-funding which was drafted by a top official: "The letter of June 16th from Hon. Monique Begin almost made me despair; it was evidently drafted by [name of a federal official] who so clearly is grasping for as much control as possible despite the implications of block-funding."²⁶³ However, it was clear that from a programmatic perspective block-funding was an improvement relative to conditional matching grants.

However, unconditional block-funding was not an optimal policy preference. The optimal policy solution from a programmatic perspective was the transfer of tax points

²⁶² DSSCH Briefing Notes for Interprovincial Meeting of Ministers of Social Services in the Yukon, 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. Another DSSCH briefing paper notes that "[t]he main attraction of SSFA is its potential for eliminating administrative costs." S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 17 Oct. 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 25. A DSSCH Brief notes that, "[a] 'block-funding' arrangement reduces the impact of federal cost-sharing on provincial priority setting and is *administratively efficient*. For these reasons Alberta has previously indicated its preference for this form of federal funding..." Brief Prepared by DSSCH, re: Extended Health Care Services Proposals, 28 Jan. 1977. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 5. Concerns about administrative simplicity and efficiency were very important in DSSCH's consideration of the various proposals for cost-sharing of extended health care services in early 1977.

²⁶³ S. Mansbridge, CDM DSSCH, to H. Hunley, Min. DSSCH, 13 July 1978. DSSCH Ministerial Papers, Provincial Archives of Alberta, 84.298/Box 1.

which would totally remove the conditions associated with other funding arrangements. This removal of conditions would significantly reduce the administrative complexities and inefficiencies of conditional funding.

C. Jurisdictional Concerns Regarding Cost-Sharing Arrangements

The cost-sharing literature suggests that budgetary distortion constituted a jurisdictional affront to provinces and that program officials were willing to cede provincial jurisdictional authority to federal officials in return for the budgetary shielding provided by cost-sharing programs. It has been argued in this paper that matching cost-sharing for social services did not significantly distort Alberta's budgetary priorities; however, this does not mean that conditional cost-sharing did not have some jurisdictional impacts for the government of Alberta. So long as cost-sharing arrangements imposed any conditions (i.e. even if cost-sharing was not distortionary in shifting provincial budgetary priorities between functions but still imposed restrictions on program delivery and design), there were legitimate provincial jurisdictional concerns which were synonymous with the previously described programmatic concerns. That is, a provincial government's jurisdictional concerns might not be with functional officials ceding responsibility to federal officials but a concern that provincial officials should be developing the design and delivery criteria of provincial programs -- not federal officials. In this sense, jurisdictional concerns were identical with programmatic concerns.

Clearly, FIGA demonstrated a policy interest in maximizing provincial jurisdiction. FIGA's concern with protection and expansion of provincial jurisdiction (which it equated with program autonomy) is clearly stated in a memo from the Deputy Minister to the Minister recommending with regards to federal initiatives on cost-sharing that "...the provincial strategy be to maximize provincial autonomy and emphasize programme considerations."²⁴⁴ FIGA's "Background Paper on Shared-Cost Initiatives" makes several recommendations regarding the development of provincial strategy:

²⁴⁴ J.P. Meekison, ADM FIGA, to L. Hyndman, Min. FIGA, with attached Background Paper, 27 May 1976. FIGA Ministerial Papers, Provincial Archives of Alberta, 79.59/Box 16/Item 248.

In developing a provincial strategy for the upcoming negotiations on shared-cost programs two basic goals should be kept in mind:

a.) the maximization of provincial autonomy with respect to program development

b.) the maximization of federal transfers

These goals [...] could come into conflict. From our perspective the basic thrust of the provincial argument should be the maximization of provincial autonomy with respect to program development.²⁶⁵

To the extent that jurisdictional intrusions in terms of federally imposed programmatic restrictions and administrative inefficiencies were best addressed by moving from matching grants to non-matching transfers, jurisdictional interests of the province demanded the same policy remedy as programmatic and fiscal concerns. Of the different forms of non-matching unconditional transfers, it may well be expected that tax point transfers would be optimal from a jurisdictional perspective due to the symbolic jurisdictional value associated with the transfer of tax authority which would increase the perception of provincial independence from the federal government.

D. Conclusions

An examination of the issue of cost-sharing for social services from a variety of relevant perspectives (i.e. fiscal, programmatic, and jurisdictional) demonstrates the advantages of block-funding compared to matching grants and the advantages of tax point transfers relative to both of the two other alternatives. This examination shows that the transfer of tax points could largely satisfy the interests of the various relevant departments. The convergence of these perspectives explains the convergence in departmental policy objectives and explains why the standard interpretations in the cost-sharing literature were of highly limited applicability.

²⁶⁵ Ibid.

V. SUMMARY AND IMPLICATIONS

This final chapter will present a summary of the study and then identify some of its broader implications. First, the chapter will summarise the history of the attempts to reform funding for social services, Alberta's positions regarding these reforms, and the positions of individual departments. The chapter will then review the proposed explanation for converging departmental policy positions -- namely the convergence of optimal policy solutions as dictated by fiscal, programmatic, and jurisdictional considerations. The convergence of these perspectives is largely explained by two contextual factors -- Alberta's resource wealth and the high incidence of federal unilateralism. This explanation of converging departmental policy positions will be contrasted with an alternate explanation based on the conventional interpretations of departmental policy objectives in the cost-sharing literature and the notion of FIGA's dominance in determining Alberta's approach to intergovernmental relations. The weakness of this latter approach will be highlighted -- demonstrating the need for a reassessment of the importance of FIGA and intergovernmental relations agencies in general. Finally, the chapter will conclude with a broader argument about the dangers of assuming departmental interests and, on the basis of these assumed interests, predicting the specific policy objectives of individual departments.

A. Summary of the History of Reform, Responses of Alberta, and the Policy Positions of Departments

Prior to the Social Services Review, funding for social services was shared between the federal and provincial government on the 50-50 matching conditional basis of CAP. The efforts to reform the social service component of CAP had two major stages: the SSA and the SSFA. Under the SSA, cost-sharing would be broadened and the restrictiveness of conditions relaxed. Though the federal legislation for the SSA was introduced in Parliament in June, in September 1977, the federal minister announced that there would be a change to a block-funding arrangement -- the SSFA. The provinces originally objected to the federal tactics but by March of 1978 there was a broad consensus on the block-funding proposal. The legislation, Bill C-55, was introduced to

Parliament in May 1978; however, as a result of the federal government's adoption of a policy of drastic fiscal restraint in August 1978, the federal Minister of Finance announced in November that the initiation of the scheme would be delayed. For all intents and purposes, the reform of funding for social services was dead and the status quo of CAP and matching grants continued to exist as they do to the present.²⁶⁶

Alberta publicly demonstrated a preference for the transfer of tax points for the funding of social services from the outset of the review. Despite this preference, Alberta formally agreed to the SSA proposal in September of 1976. When the SSA was withdrawn, the Alberta representative stridently criticized the federal government for its unilateral tactics. However, despite this criticism, Alberta conveyed its support for the SSFA block-funding proposal only two weeks later. When the SSFA proposal was withdrawn, Alberta expressed disappointment.

DSSCH had an understandable concern with the program restrictions and administrative complexities of both CAP and SSA. However, although the SSA was not an optimal policy from DSSCH's point of view, DSSCH supported it as an incremental improvement on CAP and because the alternatives perceived by DSSCH (either capped cost-sharing or the termination of CAP) were less favourable than either the SSA or the status quo. It may seem surprising considering the standard interpretations of the cost-sharing literature and FIGA's strident opposition to matching grants that FIGA also demonstrated support for the SSA. FIGA was concerned about the programmatic restrictions attendant with both the SSA and CAP arrangements -- a concern that was synonymous with DSSCH's programmatic concerns. FIGA supported the SSA for the same reasons as DSSCH -- of the alternatives, the SSA was the most attractive. When the SSA was withdrawn and the SSFA announced, despite DSSCH's initial public opposition to the SSFA, DSSCH subsequently supported it. Both FIGA and Treasury concurred in their support for this block-funding arrangement.

²⁶⁶ CAP remains the vehicle for funding of social services. The only significant change to CAP that have taken place since the Social Service Review was the imposition of unilateral caps restricting the annual rate of increase in funding to Ontario, British Columbia, and Alberta to 5%. Canadian Council on Social Development, "Canada's Social Programs Are In Trouble," (Ottawa: Canadian Council on Social Development, 1990). See also Government of Alberta, *Alberta Budget Address, 1991*, (Edmonton, 1991), 27.

B. Explaining the Confluence of Departmental Positions

An examination of departmental policy objectives clearly demonstrates that the literature on cost-sharing is very limited in its applicability in explaining Alberta's policy positions. The relevant departments did not have conflicting policy preferences. DSSCH did not prefer matching grants to non-matching arrangements nor did the central agencies (FIGA and Treasury) unconditionally oppose matching cost-sharing initiatives. At the very beginning of the Review in 1973, the CDM of DSSCH stated to the Review that Alberta preferred the transfer of tax points to any other cost-sharing arrangement. DSSCH's stated preference for tax point transfers is corroborated by the content and tone of intradepartmental, interdepartmental, and intergovernmental correspondence. This preference was in congruence with the policy objectives of both FIGA and Treasury. Thus, it is inaccurate to explain Alberta's position as a result of one set of departmental interests dominating another.

This confluence in departmental policy positions is explained by the fact that whether specific proposed arrangements were viewed from a fiscal, jurisdictional, or programmatic perspective -- or any combination of these perspectives -- the optimal policy objective was the same: the transfer of tax points for the funding of social services. Because of Alberta's resource wealth, an emphasis on social services as a high spending priority, and strong central control of the budgetary process, cost-sharing arrangements for social services were not significantly distortional. However, a variety of other conditions such as the trend toward capping of cost-sharing and the instability of cash grants made a transfer of tax points more attractive than matching grants from a fiscal perspective. Because the cost-sharing arrangements were not significantly distortional, they did not offer program officials any benefits in terms of increased program funding or program insulation from central budgetary scrutiny. Rather, programmatic concerns were with the restrictive conditions on program design and delivery and the immense administrative complexities of cost-sharing arrangements. The least restrictive and administratively complex arrangement of the three general options -- cost-sharing, block-funding, and the transfer of tax points -- was the latter. Because cost-sharing was not distortional, there were no jurisdictional concerns in this regard.

Thus, jurisdictional concerns focussed on restrictions on program design / delivery which were congruent with the concerns raised by the programmatic perspective: the optimal policy objective from both perspectives was the transfer of tax points. Because of confluent interests and the resulting consistent and consolidated approach on the part of the government of Alberta, approaching the study of the government's position on cost-sharing of social services from the conventional perspective that departments had conflicting interests is simply not very appropriate and is of little utility.

It is important to note that the terms of specific arrangements are vital in determining the reactions of the different departments. Given the variety of terms of different arrangements (i.e. level of funding, restrictiveness of conditions, opportunity for unilateral federal amendment, etc.), it is difficult to generalise about departmental reactions to specific arrangements or to treat all grants in one of the descriptive categories (e.g. block-grants) as homogeneous. Simple dichotomies such as matching grants vs. block-grants do not capture the variety of terms and conditions that exist under different specific arrangements. For example, it is hypothetically possible that a specific block-funding arrangement may have more stringent conditions than a specific matching conditional arrangement. Thus, the specific terms of the different proposed arrangements (e.g. SSA, SSFA) play a significant role in explaining why the case of the funding of social services counters the expectations raised by the literature.

An examination of how different factors impacted on each of the perspectives above demonstrates the importance of context in the study of public policy and policy processes. A range of factors contributed to creating a specific context in which negotiations and interdepartmental relations took place -- the most important of these being provincial wealth and the uncertainty and instability of federal-provincial interactions. Alberta's resource wealth impacted significantly on the political decisions that were made. Alberta was in the fortunate fiscal position of being able to make social spending a priority while maintaining the ability to refuse cost-sharing funding. The Alberta government's decision to forego cost-sharing if it significantly distorted provincial budgetary priorities meant that cost-sharing arrangements offered little in the way of budgetary benefits to line departments. Federal unilateralism created a situation

in which there was a high level of instability in the negotiations and administration of programs. This had a significant impact upon the jurisdictional, fiscal, and programmatic considerations involved. Federal unilateralism heightened the programmatic concerns with cost-sharing as changing conditions and restrictions created significant administrative problems and an inability on the part of program officials to adequately plan. The vulnerability of cash grants to federal unilateral reduction in comparison to the relative stability of ceded tax points certainly diminished the attractiveness of cash grants. Finally, federal unilateralism regarding program conditions and/or magnitude of transfers was contrary to provincial interests from the jurisdictional perspective. These factors made the unconditional transfer of tax points the policy preference of all three relevant departmental actors. Thus, contextual factors such as resource wealth and federal unilateralism were significant in explaining the convergence of the optimal policy objectives dictated by the fiscal, programmatic, and jurisdictional perspectives.

A confluence among departmental policy positions could be explained in several different ways -- one of them being a confluence of departmental interests as is presented in this paper. An alternative explanation -- presented by Woolstencroft -- is departmental hierarchy and/or the socialization of the line department by FIGA. Combining the standard interpretations of the cost-sharing literature and the literature on the influence of FIGA in "...imposing a consolidated approach to intergovernmental relations" ²⁶⁷ may well lead to the conclusion that Alberta's general antipathy towards cost-sharing arrangements was the result of FIGA's interdepartmental influence and intercession. Certain positions taken by DSSCH -- such as DSSCH's preference for tax point transfers as stated in 1973 and DSSCH's acceptance of the SSFA (after initially rejecting it) -- certainly appear to conform to the expectations one might have of how DSSCH would act under FIGA's direction. An example of explaining the policy process in terms of conflicting departmental interests and attributing Alberta's position to the intercession of central agencies is Woolstencroft's explanation of Alberta's position on funding for post-secondary education. Woolstencroft argues that the Alberta-Ottawa oil pricing feud led FIGA and Treasury to push for per capita grants/tax points despite the

²⁶⁷ Woolstencroft, "Intergovernmental Emissaries," 122.

preference of program officials for matching cost-sharing.²⁶⁸

Woolstencroft presents speculative arguments such as his assessment that the mere existence of FIGA in the government constrained the actions of program officials and, that as a result of FIGA, line departments were no longer able to pursue professional or departmental interests. Even if FIGA was not directly involved, the implicit threat of FIGA involvement is argued by Woolstencroft to have strongly conditioned line departments' actions. For example, Woolstencroft notes "[i]n Alberta program official commented that the very presence of FIGA in the government inhibits the program specialists from surrendering provincial jurisdiction."²⁶⁹ Woolstencroft argues that "FIGA's lack of involvement, however, did not give the welfare officials a license to adopt policy positions inconsistent with the prevailing approach to intergovernmental affairs."²⁷⁰ More subtly, Woolstencroft also argues that FIGA changed how line departments actually perceived their interests and that the values and priorities underlying FIGA's policy position became the values and priorities held by other departments:

Thus, in effect, FIGA tutored the line departments about the need to preserve Alberta's constitutional authority. By the mid-Seventies, program officials have been socialized into accepting the basic tenets of Alberta's framework for intergovernmental affairs. [...] ²⁷¹

The argument that DSSCH's position on social service funding was a result of direct hierarchical imposition is extremely tenuous considering the total absence of any evidence suggesting that this was the case. The socialization argument is difficult to test as it is always possible to claim that an agency is acting in a specific manner because socialization has modified its conception of self-interest. While being difficult to authoritatively rule out, this argument is extremely speculative and simply is not very convincing. This explanation fails to account for DSSCH's 1973 statement of preference for a transfer of tax points for social services -- certainly it is not credible to argue that at this point in time FIGA had socialized line departments into accepting

²⁶⁸ Ibid., 111-2.

²⁶⁹ Ibid., 224.

²⁷⁰ Ibid., 192.

²⁷¹ Ibid., 242.

FIGA's intergovernmental approach. A former FIGA director stated regarding social service negotiations that "[i]n those early days, we played a really minor role. We were just feeling our oats in '75."²⁷² This statement does not convey the image of a department powerful enough to significantly influence other departments without even having to become directly involved. Further, Woolstencroft himself notes that in the 1971-73 period, FIGA officials "...limited themselves to support functions and monitoring of other departments."²⁷³

A case study of how a government organizes for intergovernmental relations with regards to a specific issue such as the negotiations over the funding of social services reveals the difficulties in attributing a consistent and coordinated approach to an intergovernmental relations agency. Thus, as authors such as Richard Schultz have called for the reassessment of the impact of central agencies on the policy process at the central level of government²⁷⁴, it appears that such a reassessment is needed at the provincial level. Don Wallace noted:

Little study has been devoted to provincial ministries of intergovernmental affairs. There is a clear need to research systematically the impact of those institutions specifically charged with looking after intergovernmental relations and to evaluate the claims of some authors about the impact of these structures on policy-making in the federal-provincial arena.²⁷⁵

However, this need remains largely unsatisfied. In regards to Alberta and the funding of social services, a picture of FIGA as imposing a consistent approach on a resistant and recalcitrant program department through hierarchical relations is simply not accurate.

²⁷² Interview with author, Victoria B.C., 16 Jan. 1991.

²⁷³ Woolstencroft, "Intergovernmental Emissaries," 106.

²⁷⁴ R. Schultz, "Prime Ministerial Government, Central Agencies, and Operating Departments: Towards a More Realistic Analysis," in *Apex of Power: The Prime Minister and Political Leadership in Canada*, 2nd ed. (Scarborough: Prentice-Hall, 1977), esp. 230. R. Schultz, *Federalism, Bureaucracy, and Public Policy*, 181-9.

²⁷⁵ D. Wallace, "Provincial Central Agencies for Intergovernmental Relations and the Policy Process" (Ph.d. diss., York University, 1985), 1.

C. Implications for Assuming Departmental Interests and Departmental Policy Preferences

The problems with the literature on cost-sharing and the literature on FIGA's dominance in determining Alberta's approaches to intergovernmental relations is that both sets of literature make some significant (and erroneous) assumptions about the interests and policy positions of different departments. On imputing certain interests and motives to policy actors (such as describing bureaucrats as budget maximizers), Richard Simeon argues:

The abstract and general character of this mode of analysis, however, renders it of somewhat limited value in explorations of substantive policy. Moreover, many of the assumptions about motives, structural constraints, and the like take for granted factors which I have argued must be investigated. For example, we may accept the self-interest motivation, but what an actor will define as his self-interest is not evident.²⁷⁶

As Simeon suggests, this analysis accepts the assumption that departmental actors were operating according to the dictates of bureaucratic self-interest. However, it shows departmental perceptions of self-interest must be *demonstrated* rather than *defined*. The only meaningful definition of self-interest is that which was actually adopted by the relevant departments.

A related problem with *defining* -- as opposed to *demonstrating* -- a department's perception of its self-interest is that with the existence of multiple definitions of self-interest it is also probable that, for any one department, a multiplicity of interests is perceived. It is highly unlikely that departmental interests can be defined as simplistically as suggesting that departmental positions are shaped by one clear over-riding interest. Rather, it is more realistic to expect that departmental positions will be blends of and/or compromises between competing and conflicting notions of departmental self-interest. Rather than maximizing departmental returns in pursuit of a single policy end, it is probably more realistic to expect a department to optimize returns across a multi-faceted range of perceived interests.

²⁷⁶ R. Simeon, "Studying Public Policy," *Canadian Journal of Political Science* 9, no.4(Dec. 1976): 577.

Because of the complex and ambiguous nature of perceptions of self-interest, it is extremely unlikely that departmental self-interest can be directly translated into a specific policy preference on a particular issue. Conversely, on the basis of a vague notion of departmental interest, one cannot predict what the department's policy objective with regards to a specific issue will be. Thus, specific policy preferences become, by analytic necessity, definitional manifestations of a department's perceived self-interest. This is certainly not to suggest that different departments do not have specific and distinct interests. It is not at all surprising that a FIGA official noted that "Generally, FIGA worried about jurisdiction while Treasury's main concern was financial issues."²⁷⁷ Nor is it unreasonable to expect specific programmatic concerns to be more salient considerations for program officials than for treasury officials. Simply, the problem in defining interests in this broad manner is that it is impossible to translate these interests into specific policy preferences. This study demonstrates the complex range of factors and constraints which shape how a department might view its self-interest.

Contrary to this subjective and multi-faceted perception of departmental self-interest, the literature on cost-sharing attempts to objectively define specific agencies' self-interest -- generally in a simplistic manner. Thus, it is not surprising that these definitions of departmental self-interest are sometimes inadequate in explaining departmental positions. This is the case with the example of the conventional descriptions of the interests of line departments and central agencies in the government of Alberta regarding federal-provincial funding of social services.

²⁷⁷ Interview with author, Edmonton AB, 19 Nov. 1990.

VI. SELECT BIBLIOGRAPHY

A. Books/Articles

- Atkinson, M.M., and K.R. Nossal. "Bureaucratic Politics and the New Fighter Decision." *Canadian Public Administration* 24, no.4(Winter 1981) 531-58.
- Banting, K. "*Federalism and Income Security: Historical Themes and Modern Variations.*" In *Ottawa and the Provinces: The Distribution of Money and Power*. Vol.1, 253-76. Edited by T.J. Courchene et. al. Toronto: Ontario Economic Council. 1985.
- Banting, K. *The Welfare State and Canadian Federalism*. Rev. ed. Montreal: McGill-Queen's University Press. 1987.
- Barker, P. "The Development of Major Cost-Shared Programs in Canada." In *Perspectives on Canadian Federalism*, 195-220. Edited by R.D. Olling and W.M. Westmacott. Scarborough: Prentice-Hall, 1988.
- Boadway, R. "Intergovernmental Transfers." In *Fiscal Federalism*, 1-48. Edited by M. Krasnick. Toronto: University of Toronto Press. 1985.
- Brown, M.C. *Established Program Financing: Evolution or Regression in Canadian Fiscal Federalism?* Canberra: Centre for Research on Federal Financial Relations. 1984.
- Burns, R.M. *Intergovernmental Fiscal Transfers: Canadian and Australian Experiences*. Canberra: Centre for Research on Federal Financial Relations. 1977.
- Campbell, C. and G.J Szablowski, *The Superbureaucrats: Structure and Behaviour in Central Agencies*. Toronto: MacMillan, 1979.
- Canadian Council on Social Development. "Canada's Social Programs Are In Trouble." Ottawa, 1991.

- Careless, A.G.S. *Initiative and Response: The Adaptation of Canadian Federalism to Regional Economic Development*. Montreal: McGill-Queen's University Press, 1977.
- Carter, G.E. *Canadian Conditional Grants Since WW II*. Toronto: Canada Tax Foundation, 1971.
- Carter, G.E. "Financing Health and Post-Secondary Education: A New and Complex Fiscal Arrangement." In *Federalism in Canada: Selected Readings*, 435-56. Edited by G. Stevenson. Toronto: McClland and Stewart, 1989.
- Chapin, H. "Citizen Involvement in Policy-Making." In *Issues in Canadian Social Policy*. Vol. 1, 111-47. Ottawa: Canadian Council on Social Development, 1982.
- Courchene, T.J. *Refinancing the Canadian Federation: A Survey of the 1977 Fiscal Arrangements Act*. Toronto: C.D. Howe Institute, 1979.
- Dion, S. and A. Blais "Are Bureaucrats Budget Maximizers: The Niskanen Model and Its Critiques." Paper presented at the 51st Annual Meeting of the Canadian Political Science Association. 1979.
- Dupre, J.S., et al. *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario*. Toronto: University of Toronto Press, 1973.
- Dupre, S. "Reflections on the Workability of Executive Federalism." In *Intergovernmental Relations*, 1-32. Edited by R. Simeon. Toronto: University of Toronto Press, 1985.
- Dyck, R. "The Canada Assistance Plan: The Ultimate in Cooperative Federalism." *Canadian Public Administration* 19, no.4 (Winter 1976): 587-602.
- Dyck, R. *Provincial Politics in Canada*. Scarborough: Prentice-Hall, 1986.
- Fletcher, F.J. and D.C. Wallace. "Federal-Provincial Relations and the Making of Public

- Policy in Canada: A Review of Case Studies." In *Division of Powers and Public Policy*, 125-206. Edited by R. Simeon. Toronto: University of Toronto Press, 1985.
- French, R.D. *How Ottawa Decides: Planning and Industrial Policy Making 1968-1984*. 2d. ed. Toronto: J. Lorimer and Co., 1984.
- Gibbins, R. "Western Alienation and the Alberta Political Culture." In *Society and Politics in Alberta*, 143-67. Edited by C. Caldarola. Toronto: Methuen, 1979.
- Guest, D. *The Emergence of Social Security in Canada*. 2d. ed. Vancouver: University of British Columbia Press, 1985.
- Hepworth, H.P. "A Commentary on the Proposed Federal 'Personal' Social Services Act." *The Social Worker* 45, no.2(Summer 1977): 67-77.
- Hepworth, H.P. "Personal Social Services." *Perception* (Sept./Oct. 1978): 39-40.
- Hepworth, H.P. "Personal Social Services: Social Services Saga." *Perception* (Mar./Apr. 1978): 4-5.
- Hepworth, H.P. "Personal Social Services: Whether to Laugh or Cry?" *Perception* (Nov./Dec. 1977): 42.
- Hornick, J.P. et al. "Alberta." In *Privatization and Provincial Social Services in Canada: Policy, Administration, and Service Delivery*. Edited by J.S. Ismael and Y. Vaillancourt. Edmonton: University of Alberta Press, 1988.
- Hum, D.J. *Federalism and the Poor: A Review of the Canada Assistance Plan*. Toronto: Ontario Economic Council, 1983.
- Hum, D.J. "The Working Poor, the Canada Assistance Plan, and Provincial Responses in Income Supplementation." In *Canadian Social Welfare Policy: Federal and Provincial Dimensions*. Edited by J.S. Ismael. Montreal: McGill-Queen's University Press, 1985. 29-42.
- Irving, A. "Federal-Provincial Issues in Social Policy." In *Canadian Social Policy*, 326-49.

Rev. ed. Edited by S.A. Yelaja. Waterloo: Wilfred Laurier University Press, 1987.

Johnson, A.W. "Canada's Social Security Review 1973-1975: The Central Issues." In *Canadian Public Policy* 1, no.4(Autumn 1975): 456-72.

Kelly, M. "The New Social Services Legislation -- What Next?" In *Perspectives on Canadian Health and Social Services Policy: History and Emerging Trends*, 367-77. Edited by C.A. Mellicke and J.L. Storch. Ann Arbor, Mich.: Health Administration Press, 1980.

Kernaghan, K. "Intergovernmental Administrative Relations in Canada." In *Public Administration in Canada: Selected Readings*, 5th ed, 152-65. Edited by K. Kernaghan. Toronto: Methuen, 1985.

Kinkaide, P.S. "The Revitalization of Community Enterprise: The Alberta Case for "Privatizing" Social Services." In *Perspectives on Social Services and Social Issues*, 19-38. Edited by J.S. Ismael and R.J. Thomlinson. Ottawa: Canadian Council on Social Development, 1987.

Leman, C. *The Collapse of Welfare Reform: Political Institutions, Policy, and the Poor in Canada and the United States*. Cambridge: MIT Press, 1980.

Leeson, H. "The Intergovernmental Affairs Function in Saskatchewan, 1960-1983." *Canadian Public Administration* 30, no.3(Fall 1987): 399-420.

Leslie, P.M. *Canada: The State of the Federation 1985*. Kingston: Queen's University, 1986.

Mansbridge, S. "On the Making of Social Policy in Alberta." *Canadian Public Administration* 21, no.3(Fall 1978): 311-323.

Mansbridge, S. and A.R. Dobell, *The Social Policy Process in Canada*. Montreal: Institute for Research on Public Policy, 1986.

Matheson, D. "Clarifying Social Welfare." *Policy Options*(July 1983): 26-29.

- McMillan, M.L. and K.H. Norrie. "Province Building vs. A Rentier Society." *Canadian Public Policy* 6(Supplement 1980).
- Moscovitch, A. "The Canada Assistance Plan: A Twenty Year Assessment, 1966-1986." In *How Ottawa Spends 1988/89*, 269-308. Edited by K.A. Graham. Don Mills: Carleton University Press, 1989.
- Norquay, G. "Income Security: Death Knell Sounded for Improved Social Services Funding Scheme." *Perception* (Jan./Feb. 1979): 36-37.
- Pal, L.A. "Federalism, Social Policy, and the Constitution." In *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, 1-20. Edited by J.S. Ismael. Montreal: McGill-Queen's University Press, 1985.
- Phidd, R.W., and G.B. Doern. *Canadian Public Policy: Ideas, Structure, Process*. Toronto: Methuen, 1983.
- Pollard, B.G. *Managing the Interface: Organizing Intergovernmental Relations*. Kingston: Queen's University, 1986.
- Powell, K. *Reference Guide to Alberta Government Committees*. Edmonton: Alberta Legislative Library, 1982.
- Prince, M.J. and J.J. Rice. "Department of National Health and Welfare: The Attack on Social Policy." In *How Ottawa Spends Your Tax Dollar: Federal Priorities 1981*, 90-119. Edited by G.B. Doern. Toronto: James Lorimer and Co., 1981.
- Rice, J.J. "Restricting the Safety Net: Assessing the National Social Security System." In *How Ottawa Spends 1987-88*, 211-36. Edited by M.J. Prince. Toronto: Methuen, 1987.
- Riches. "Review of the Study Team Report to the Task Force on Program Review." *Canadian Review of Social Policy* no. 16(Oct. 1986): 141-54.
- Sayed, A. "The Canada Assistance Plan: Some Background." In *Ottawa and the*

Provinces: The Distribution of Money and Power. Edited by T.J. Courchene et al. Toronto: Ontario Economic Council, 1985.

Schultz, R. *Federalism, Bureaucracy, and Public Policy: The Politics of Highway Transport Regulation.* Montreal: McGill-Queen's University Press, 1980.

Schultz, R. "Prime Ministerial Government, Central Agencies, and Operating Departments: Towards a More Realistic Analysis." In *Apex of Power: The Prime Minister and Political Leadership in Canada*, 2d ed., 229-36. Edited by T.A. Hockin. Scarborough: Prentice-Hall, 1977.

Simeon, R. *Federal-Provincial Diplomacy: The Making of Recent Policy in Canada.* Toronto: University of Toronto Press, 1985.

Simeon, R. "Studying Public Policy." *Canadian Journal of Political Science* 9, no.4(Dec. 1976): 548-80.

Smiley, D.V. "An Outsider's Observations of Federal-Provincial Relations Among Consenting Adults." In *Confrontation and Collaboration*, 105-113. Edited by R. Simeon. Toronto: Institute of Public Administration, 1979.

Smiley, D.V. *Canada in Question: Federalism in the Seventies*, 2d. ed. Toronto: McGraw Hill Ryerson, 1976.

Smiley, D.V. *Canada in Question: Federalism in the Eighties*, 3d. ed. Toronto: McGraw Hill Ryerson, 1980.

Smiley, D.V. *Conditional Grants and Canadian Federalism.* Ottawa: Canadian Tax Foundation, 1963.

Smiley, D.V. *Constitutional Adaptation and Canadian Federalism.* Ottawa: Queen's Printer, 1970.

Smiley, D.V. "Cooperative Federalism: An Evaluation." In *Canadian Federalism: Myth or Reality*, 3d. ed., 259-79. Edited by J.P. Meekison. Toronto: Methuen, 1977.

- Smiley, D.V. "Federalism and the Public Policy Process." In *Canadian Federalism: Myth or Reality*, 3d. ed., 366-74. Edited by J. P. Meekison. Toronto: Methuen, 1977.
- Smiley, D.V. "Federal-Provincial Conflict in Canada." In *Canadian Federalism: Myth or Reality*, 3d. ed., 2-18. Edited by J.P. Meekison. Toronto: Methuen, 1977.
- Smiley, D.V. "Public Administration and Canadian Federalism." *Canadian Public Administration* 3, no.3(1964): 371-388.
- Smiley, D.V. *The Federal Condition in Canada*. Toronto: McGraw Hill Ryerson, 1987.
- Smiley, D.V. "The Structural Problem of Canadian Federalism." *Canadian Public Administration* 14, no.3(Fall 1971): 326-43.
- Splane, R. "Alberta and the Federal-Provincial Social Services Initiative 1975-1985." In *Perspectives of Social Services and Social Issues*, 3-16. Edited by J.S. Ismael and R.J. Thomlinson. Ottawa: Canadian Council on Social Development.
- Strick, J.C. "Conditional Grants and Provincial Government Budgeting." *Canadian Public Administration* 14, no.2(Summer 1971): 217-35.
- Taylor, M.G. *Health Insurance and Canadian Public Policy: The Seven Decisions that Created the Canadian Health Insurance System and Their Outcomes*. 2nd ed. Kingston: McGill-Queen's University Press, 1987.
- Trimble, L. "The Meech Lake Accord and the Future of the Welfare State." *Constitutional Forum* 2, no.2(Winter 1991): 32-34.
- Tupper, A. "The Rebirth of Politics." *NeWest Review* (May 1988): 9.
- Tupper, A., and G.B. Doern. "Alberta Budgeting in the Lougheed Era." In *Budgeting in the Provinces: Leadership and the Premiers*, 121-40. Edited by A.M. Maslove. Toronto: Institute of Public Administration, 1983. 121-140.

Van Loon, R. "From Shared Cost to Block Funding and Beyond." *Journal of Health Politics, Policy, and Law* 2, no. 4(Winter 1979): 454-478.

Van Loon, R. "Reforming Welfare in Canada." *Public Policy* 27, no. 4(Fall 1979): 469-504.

Warhurst, J. "Canada's Intergovernmental Relations Specialists." *Australian Journal of Public Administration* 13, no. 4(Dec. 1983): 459-485.

Warhurst, J. "Managing Intergovernmental Relations." In *Federalism and the Role of the State*, 259-76. Edited by H.V. Bakvis and W.M. Chandler. Toronto: University of Toronto Press, 1987.

Woolstencroft, T.B. *Organizing Intergovernmental Relations*. Kingston: Queen's University, 1982.

B. Government Documents

Alberta Federal and Intergovernmental Affairs. *Annual Reports*. 1974-1979.

Alberta Social Services and Community Health. *Alberta Social Services in Review*. 1988.

Alberta Social Services and Community Health. *Annual Reports*. 1974-1988.

Government of Alberta. *Alberta Budget Address, 1991*. Edmonton, 1991.

Government of Alberta. *Alberta Hansard*. 1974-1979.

Government of Alberta. *Harmony in Diversity*. Edmonton, 1978.

Government of Canada. *A Study Team Report to the Task Force on Program Review. Canada Assistance Plan*. Ottawa: Minister of Supply and Services, 1985.

Government of Canada. *Canada Assistance Plan Annual Report*. Ottawa: Supply and Services, 1975-79.

Government of Canada. *Fiscal Federalism in Canada: Parliamentary Task Force on Federal-Provincial Fiscal Arrangements*. Ottawa: Minister of Supply and Services, 1981.

C. Theses

Bojchko, C.J. "Lougheed's 'Energetic' Bureaucrats." Masters thesis, University of Alberta, 1982.

McInnes, S. "Federal-Provincial Negotiation: Family Allowances 1970-76." Ph.d. Diss., Carleton University, 1978. (microfiche)

Wallace, D.C. "Provincial Central Agencies For Intergovernmental Relations and the Policy Process." Ph.d. Diss., York University, 1985. (microfiche)

Woolstencroft, T.B. "Intergovernmental Emmissaries -- The Provincial Guardians of the Federal Bargain: A Case Study of Alberta and Ontario." Masters thesis, Queen's University, 1980. (microfiche)

D. Newspapers

Edmonton Journal. 1974-1979.

Calgary Herald. 1974-79.

E. Archival Materials

Alberta Federal and Intergovernmental Affairs. Departmental Files, 1973-1979.
Government of Alberta, Provincial Archives of Alberta.

Alberta Federal and Intergovernmental Affairs. Departmental Files. Government of Alberta, Department of Federal and Intergovernmental Affairs. (Provided by department upon request.)

Alberta Social Services and Community Health. Departmental Files, 1973-1979.

Government of Alberta, Provincial Archives of Alberta.

Hunley, H. Alberta Social Services and Community Health Ministerial Papers, 1975-1979.

Government of Alberta, Provincial Archives of Alberta. (Accessed with special permission.)

Hyndman, L. Alberta Federal and Intergovernmental Affairs Ministerial Papers, 1975-79.

Government of Alberta, Provincial Archives of Alberta. (Accessed with special permission.)

F. Interviews

R. Dalon, interview with author, Victoria B.C., 16 Jan. 1991.

Dr. J.P. Meekison, interview with author, Edmonton AB, 19 Nov. 1990.

B. Russell, interview with author, Victoria B.C., 16 Jan 1991.

VII. APPENDIX 1: The Cost-Sharing Test

The cost-sharing test to be attached to all RFD's was not a simple embodiment of the principles to be considered in cost-sharing decisions but a rigorous list of specific questions to which the department submitting the RFD had to provide responses. The program considerations involved included:

- a. To what extent does it modify or detract from existing provincial policies?
- b. To what extent are the program objectives compatible with existing or future provincial program objectives?
- c. To what extent would participation displace or influence future provincial policies?
- d. To what extent would the province have to develop its own infrastructure for program delivery?
- e. How flexible is the federal proposal with regard to variations amongst the provinces?

Fiscal factors to be considered were to include:

- a. To what extent is the province prepared to forego revenues to maintain its flexibility?
- b. Would the province be willing to finance the program in the absence of federal funds? Would they be willing to pick up the extra costs if the federal government decided to abandon its share at some time?
- c. What are projected cost implications?
- d. To what extent are new funds required?
- e. Is the federal contribution seen as seed money?

Intergovernmental considerations which were to be considered included:

- a. By what means are provincial interests protected?
- b. Is the program covered by agreement, order-in-council, federal legislation and/or regulation? Experience has shown that the federal government can and has made unilateral changes through O.C.'s or regulation if specifics are not spelled out in the agreement.
- c. Are there provisions for ongoing consultation and mutual consent for alteration?
- d. What guarantees if any are extended to the provinces with respect to changes

in federal policy such as notice of termination?

e. To what extent are alternatives both in area of program content and financing available?

f. To what extent do the implications of certain programs to other provinces affect our response?

g. To what extent should the equalization concept be closely tied to the financial arrangements in specific program areas?

II. Appendix 2: Tables

A. TABLE 2: Funds Transferred to Alberta Under Cap 1973-79

YEAR	Gen. Asst.	HSC*	Child Welf.	Welf. Services	Misc.	TOTAL**
73-74	38,502	2,994	4,136	6,332	692	52,656
74-75	44,428	4,114	5,376	6,796	54	60,769
75-76	52,640	18,449	7,197	11,497	1,248	91,031
76-77	65,174	19,906	8,423	13,570	79	107,152
77-78	75,754	15,711	8,356	15,323	319	115,463
78-79	76,254	12,886	11,183	15,303	-	115,626

* Homes for Special Care.

** Figures in \$000's.

Source: Canada Assistance Plan Annual Reports, 1973-1979.
Health and Welfare Canada.

B. TABLE 3: Gross National Product 1970-80

YEAR	GNP*	% CHANGE	YEAR	GNP	%CHANGE
1970	87,765	-	1976	194,388	15.0%
1971	95,784	9.1%	1977	213,308	9.7%
1972	107,168	11.8%	1978	235,654	8.9%
1973	125,642	17.2%	1979	268,941	14.1%
1974	149,873	19.3%	1980	302,064	12.3%
1975	169,002	12.8%			

* Figures in \$000,000's

Source: Canadian Economic Observer. Statistics Canada
Historical Supplement 1989/90. (Ottawa: Minister
of Supply and Services, 1990)

C. TABLE 4: Transfers to Alberta from the Federal Government
1973-78

YEAR	TOTAL TRANSFERS*	HEALTH	POST-SECDRY EDUC.	CAP
1973	303,130	159,295	53,760	53,098
1974	439,681	175,917	54,711	52,684
1975	510,690	204,255	52,515	67,142
1976	512,891	257,124	42,814	97,613
1977	654,197	302,146	39,003	107,160
1978	592,519	234,801	60,772	115,848

* Figures in \$000's.

Source: Canada Year Book 1975-81 (Ottawa: Minister of
Industry, Trade, and Commerce).